

# THE FEDERAL EFFORT AGAINST ORGANIZED CRIME

---

## HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON GOVERNMENT OPERATIONS HOUSE OF REPRESENTATIVES NINETIETH CONGRESS FIRST SESSION

---

### PART 1

---

APRIL 5, 13, AND MAY 16, 1967

---

Printed for the use of the  
Committee on Government Operations



U.S. GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1967

78-508

---

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Washington, D.C. 20402 - Price 40 cents

## COMMITTEE ON GOVERNMENT OPERATIONS

WILLIAM L. DAWSON, Illinois, *Chairman*

CHESTER HOLIFIELD, California	FLORENCE P. DWYER, New Jersey
JACK BROOKS, Texas	OSDEN R. REID, New York
L. H. FOUNTAIN, North Carolina	FRANK HORTON, New York
PORTER HARDY, Jr., Virginia	DONALD RUMSFELD, Illinois
JOHN A. BLATNIK, Minnesota	JOHN N. ERLBORN, Illinois
ROBERT E. JONES, Alabama	JOHN W. WYDLER, New York
EDWARD A. GARMATZ, Maryland	ROBERT DOLE, Kansas
JOHN E. MOSS, California	CLARENCE J. BROWN, Jr., Ohio
DANTE B. FASCELL, Florida	JACK EDWARDS, Alabama
HENRY S. REUSS, Wisconsin	GUY VANDER JAGT, Michigan
JOHN S. MONAGAN, Connecticut	JOHN T. MYERS, Indiana
TORBERT H. MACDONALD, Massachusetts	FLETCHER THOMPSON, Georgia
J. EDWARD ROUSH, Indiana	WILLIAM O. COWGER, Kentucky
WILLIAM S. MOORHEAD, Pennsylvania	MARGARET M. HECKLER, Massachusetts
CORNELIUS E. GALLAGHER, New Jersey	GILBERT GUDE, Maryland
WILLIAM J. RANDALL, Missouri	
BENJAMIN S. ROSENTHAL, New York	
JIM WRIGHT, Texas	
FERNAND J. ST GERMAIN, Rhode Island	

CHRISTINE RAY DAVIS, *Staff Director*

JAMES A. LANIGAN, *General Counsel*

MILES Q. POMNEY, *Associate General Counsel*

J. P. CARLSON, *Minority Counsel*

WILLIAM H. COPENHAVER, *Minority Professional Staff*

## LEGAL AND MONETARY AFFAIRS SUBCOMMITTEE

DANTE B. FASCELL, Florida, *Chairman*

CORNELIUS E. GALLAGHER, New Jersey	JACK EDWARDS, Alabama
JIM WRIGHT, Texas	GUY VANDER JAGT, Michigan
FERNAND J. ST GERMAIN, Rhode Island	WILLIAM O. COWGER, Kentucky

M. JOSEPH MATAN, *Staff Administrator*

CHARLES ROTHENBERG, *Counsel*

MILLCENT Y. MYERS, *Clerk*

# CONTENTS

	Page
Hearings held on—	
April 5, 1967	1
April 13, 1967	33
May 16, 1967	59
Statement of—	
Kolar, William A., Director of the Intelligence Division, Internal Revenue Service, accompanied by Thomas B. Carney, executive assistant, office of the Director	60, 108
Serr, Harold A., Director, Alcohol and Tobacco Tax Division, accompanied by Thomas Casey, Chief, Enforcement Branch, Office of Alcohol and Tobacco Tax Division; and John McCarren, Office of Chief Counsel, Internal Revenue Service	79
Vinson, Fred M., Jr., Assistant Attorney General, Criminal Division, Department of Justice, accompanied by Henry Petersen, Chief, Organized Crime and Racketeering Section	5, 34
Letters, statements, etc., submitted for the record—	
Kolar, William A., Director of the Intelligence Division, Internal Revenue Service:	
Letter from Willie Bauer, chief of police, Beaumont, Tex., dated March 15, 1967, with enclosure	78
Organized crime drive status report, fiscal years 1961 to 1966, inclusive, table	61
Public officials presently included in the organized crime drive category, table	76
Serr, Harold A., Director, Alcohol and Tobacco Tax Division, Internal Revenue Service, statement	80
Vinson, Fred M., Jr., Assistant Attorney General, Criminal Division, Department of Justice:	
Exhibits showing the results of a survey by the Immigration and Naturalization Service of the Kefauver committee hearings, 1950-51, made for the purpose of determining what persons were amenable to Service action leading to deportation or denaturalization	9
Federal resources applied in combating crime, fiscal year 1967 (approximations), table	20
Letter filed by the Department with the Supreme Court in connection with two pending wagering cases which indicate the revenue from wagering taxes and the estimated cost of enforcing those statutes, dated January 23, 1967	7
Memorandum from James W. Muskett, staff assistant, Criminal Division, Department of Justice, to Mr. Gerald Shur, dated March 20, 1967, re Division appropriations and average number of Division assignments	52
Memorandum from the President sent to all departments and agencies which participate in the organized crime program	13
Memorandum of understanding between the Departments of Justice and Labor relating to the investigation and prosecution of crimes and civil enforcement actions under the Labor-Management Reporting and Disclosure Act of 1959 (Public Law 89-257)	35
Narcotics convictions by the Bureau of Narcotics and the Bureau of Customs in 1966	15
Organized Crime Section statistics indicating the number of criminal informations and indictments, the individuals indicted, and the individuals convicted, from 1961 through 1966	11

IV

CONTENTS

Letters, statements, etc.—Continued	
Vinson, Fred M., Jr.—Continued	Page
Percentage of increase of voluntary compliance, comparing all taxpayers in the North Atlantic region with racketeers in that same region, June 30, 1961-66.....	15
Quantitative analysis of indictments, convictions, and acquittals of Cosa Nostra personnel, 1961-66, table.....	19
Statutes administered by the Organized Crime and Racketeering Section.....	34
Wagering enforcement, Intelligence Division, IRS, June 30, 1961-66, table.....	17
White House press release dated May 1966 entitled "Remarks of the President—The Drive Against Organized Crime".....	12
Appendix—Task Force Report: Organized Crime.....	113



## THE FEDERAL EFFORT AGAINST ORGANIZED CRIME

---

WEDNESDAY, APRIL 5, 1967

HOUSE OF REPRESENTATIVES,  
LEGAL AND MONETARY AFFAIRS SUBCOMMITTEE  
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 2:25 a.m., in room 2247, Rayburn Office Building, Hon. Dante B. Fascell (chairman of the subcommittee) presiding.

Present: Representatives Dante B. Fascell, Cornelius E. Gallagher, Fernand J. St Germain, Jack Edwards, Guy Vander Jagt, and William O. Cowger.

Also present: M. Joseph Matan, staff administrator; Charles Rothenberg, counsel; Millicent Y. Myers, clerk; and William H. Copenhagen, minority counsel.

Mr. FASCELL. The subcommittee will please come to order.

Today we begin an examination of the Federal Government's efforts and capabilities to cope with the menace of organized crime.

From all the evidence at hand, there is no doubt that organized crime exists, and that its existence and influence constitute very real threats, in one way or another, to the well-being of every man, woman, and child in this Nation.

Crime, in general, has risen to such an extent in our land that everywhere strong efforts are underway to cope with that problem. Organized crime, too, is growing, and recognition of the problem that its growth presents caused the President to ask his Crime Commission to find out why organized crime was expanding despite the Nation's best efforts to prevent it.

It would have been a happier day if the Commission could have reported that the menace is being contained. But after studying the problem, the Commission had to conclude that efforts to curb the growth of organized crime in America have not been successful. This is a frightening conclusion and indictment.

The Federal Government's efforts necessarily have been only a part of the country's fight against organized crime. Prosecutions for offenses, except in fairly limited instances, are within the jurisdiction and prerogatives of the States and their subdivisions.

Organized crime, however, does not confine its operations to local areas, or within particular States, or to local offenses. It operates pretty much throughout the Nation, and with little regard for State or local boundaries, except as it might serve its purposes to try to avoid Federal criminal jurisdiction.

The Federal effort to combat syndicated crime, though limited, is a very important part of the whole. We are here to determine the capabilities of the Federal Government to control organized crime, particularly in the light of the fact that the spread of such crime has not been stopped. We do so because this subcommittee has the obligation of examining and evaluating the efficiency and economy of operations of many of the agencies of the Government which are involved in the Federal effort against organized crime, including the Department of Justice, and the Treasury Department.

These two Departments themselves include the FBI, Immigration and Naturalization Service, Secret Service, Bureau of Narcotics, Internal Revenue Service, Customs Bureau, and Alcohol and Tobacco Tax Division.

Also within this subcommittee's jurisdiction are other agencies which participate in combating organized crime in one way or another, such as the Securities and Exchange Commission and the banking supervisory agencies.

Starting with the premise that organized crime exists, we will want to determine as best we can the full magnitude of the problem that it presents; what the Federal Government's role is in the fight against organized crime; what weapons it has with which to carry out its responsibilities; whether its resources are fully used to the greatest advantage; whether the best possible results are being obtained; and whether greater resources, through increased manpower or equipment, or whatever else would strengthen its capabilities.

The Chief Justice in addressing the President's Conference on Crime Control last week stated that—

Organized crime can be stopped because it is a direct assault upon the community in which it thrives, and no crime syndicate can openly defy the law in any of its moneymaking activities if the community is determined that it shall not exist.

If the subcommittee were to do nothing more than to provide the people of the United States with a better comprehension of the organized crime menace and the obligation of the citizenry to aid in eradicating this evil, I would feel that our efforts were more than justified. However, we do not intend to stop at that point. It is certainly my fervent hope that this study will result in actions and recommendations which will further buttress the Federal Government's abilities to carry out its responsibilities against syndicated crime.

The Department of Justice, as the Federal Government's prosecutive arm, has the responsibility for, and supervision of, the enforcement of all Federal criminal laws. Its Criminal Division, for the past 13 years or more, has maintained an Organized Crime and Racketeering Section, with responsibilities for coordinating generally the enforcement activities which are directed against organized crime and racketeering.

We want to find out how it could be that although the section has been in operation for quite a few years, and although organized crime continues to flourish, the Department with all its U.S. attorneys, allegedly has neither the personnel nor the financial resources to investigate all those suspected of being associated with organized crime.

The head of the Organized Crime and Racketeering Section is reported to have made that statement recently, and to have also said that—

\* \* \* even taking into account other Federal investigative agencies with which the Justice Department operates—including Secret Service, FBI, Bureau of Customs, Internal Revenue Service—we couldn't police one major community.

At this point, I would like to yield to my distinguished colleague and ranking minority member, the distinguished Congressman, Jack Edwards.

Mr. EDWARDS. Thank you, Mr. Chairman.

The United States is an affluent society. Unfortunately, it is affluent not only in wealth but in crime. Each year, criminal offenses and arrests increase faster than population growth. Each year, the crime rate advances more rapidly than the gross national product. It has been noted that reported crime constitutes about a third or less of offenses actually committed.

Crime now affects the lives of each and every one of us. How we live, where we work, the manner in which we organize our daily activities, are increasingly being influenced by the incidence of crime. Yet the type of crime perhaps that poses the greatest threat to our life and welfare, organized crime, is not that which we normally encounter or think about.

Generally, we are aware of that type of crime that I choose to call surface crime—murder, robbery, burglary, rape, aggravated assault, larceny, and auto theft. As serious as these crimes are, however, they are no more disturbing to me than those we classify as organized crimes.

Make no mistake, I am extremely concerned about surface crime. Its daily threat to the lives and welfare of our citizens is intolerable, and we must put a stop to it with every means at our disposal. But in general, this type of crime is visible to us. Although we lack all the answers to its prevention, we at least know what we are dealing with. Such is not the case with organized crime. We only have limited knowledge of its breadth, who its members are, how they operate, and who its willing or unwilling victims and collaborators are.

In truth, organized crime is a pervasive threat to, and cancerous growth upon, the very foundations of our society. Every individual in every walk of life is adversely affected, personally and materially, by the tentacles of organized crime. Ill-gotten wealth, acquired through gambling, narcotics, loan-sharking, and other unlawful means, is used to seize power and control of lawful endeavors.

Legitimate businesses are infiltrated, labor unions are taken over, public officials are corrupted.

Government—Federal, State, and local—has exhibited greater or lesser degrees of initiative in recent years in attacking organized crime. Our growing knowledge of its nature and scope has spurred us on. But what knowledge I have of current operations leads me to believe that the country must exert much greater effort against the network of organized crime.

Every citizen must be made fully aware of its scope and threat to society. Every legitimate technique must be utilized to rid the country of its presence. Every law enforcement agency must be harnessed into a coordinated and efficient instrument to apprehend its membership.

Every lawful judicial process must be employed to punish and incarcerate those apprehended.

Today we begin hearings to learn what the Department of Justice is doing to meet the threat of organized crime. As the Federal Government's chief law enforcement and prosecutive agency, it must bear the chief burden in this direction. But, of course, since organized crime reaches into every community and touches upon all aspects of our lives, we must not expect the Department of Justice to shoulder this burden alone.

Other agencies of the Federal Government, together with the State and local governments, private organizations and individual citizens, must be called upon to assist in this fight.

It is my hope that this subcommittee will examine into the activities of a number of these other groups and entities. If we are to succeed, however, we shall have to develop improved coordination and leadership in this fight, a task which may be best handled by the Department of Justice.

Not only will it be our purpose to determine how efficiently and effectively the Department of Justice is conducting its own operations, but how successful has it been in communicating, training, cooperating, and coordinating efforts with these other groups?

We have been called upon recently to fight many domestic wars—against poverty, injustice, ignorance, and so forth. The time has now come for the country to launch a war against organized crime.

Thank you, Mr. Chairman.

Mr. FASCELL. Thank you, Mr. Edwards.

Mr. Assistant Attorney General, I want you and others to realize at the outset that, having made our opening statements in a bipartisan inquiry into this subject, we are not unmindful of the outstanding job which has been done by the prosecutive arm of the Government and the investigative arms of our Government in recent years in dealing with the problem of organized crime and other criminal matters.

But in light of recent events, the Crime Commission study and the national conference which has just been held, I think that we have to take judicial knowledge of the fact and start out, at least temporarily, with the assumption that deficiencies in the Government's armaments do exist in this fight. We are interested to know what they are and what can be done to remedy them.

We have invited you to be here and I want to thank you very much. I know you have been busy testifying before other committees on legislative matters and you have a very full schedule, as does Mr. Petersen. We also take note of the fact that there have been at least two select committees in the other body that have gone into this matter over a period of years.

But I do not recall any regularly constituted committee or subcommittee on the House side that has ever gone into this matter as we propose to do.

We are delighted and privileged to have you here, Mr. Fred Vinson, and Mr. Henry Petersen. Both of you have outstanding backgrounds in this field. We would like you at this time to submit brief statements of your individual backgrounds for the record so that we can have them as you begin to testify.

We see our hearings as an extension or furtherance constructively of that which has been started, both by the Crime Commission and

the National Crime Control Conference at the national level, and in many State areas.

It is not our purpose to make public any operational information, either of current or proposed investigations or prosecutions. If any inquiry touches on this point as we move along in these hearings, then the chairman would consider calling executive sessions for receiving that testimony.

So, having set these predicates, we will be very pleased now to hear from you, Mr. Vinson.

**STATEMENT OF FRED M. VINSON, JR., ASSISTANT ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF JUSTICE, ACCOMPANIED BY HENRY PETERSEN, CHIEF, ORGANIZED CRIME AND RACKETEERING SECTION**

Mr. VINSON. Thank you, Mr. Chairman; gentlemen.

It is a pleasure to be here before you on what I consider to be one of the great internal problems of our country today. We welcome your interest.

I am the Assistant Attorney General in charge of the Criminal Division, and have been for approximately 2 years.

Mr. Petersen is the Chief of our Organized Crime and Racketeering Section. He has been with that Section since 1951. He served as its Deputy Chief for a period of many years, and last fall became Chief of the Section.

Before making a statement, I think perhaps we should define our terms. We have a twofold definition of organized crime: first, what we call, or think is the hard-core problem, La Cosa Nostra; secondly, we treat as organized crime any large continuous criminal conspiracy which has significant impact upon a community, a region, or an area of our country.

However, my statement is devoted primarily to the problem of the Cosa Nostra. However, our techniques are basically the same with respect to the handling of both sorts of problems.

Organized crime, as you stated, is not a new problem. The Federal Government's interest in this problem, organized crime, dates back to at least 1929, when the Wickersham Commission examined into the problem of what they termed, "Lawlessness precipitated by war and prohibition."

Following the Wickersham Commission report, there were various law enforcement conferences, and of course, as you noted, there has been continuing congressional interest. I feel that no set of hearings or no conference has so shocked the conscience of the American people as the Kefauver committee hearings in 1951.

Throughout the reports of that committee, there were inferences and indications of these massive criminal conspiracies, and indications that they were aided and abetted by local corruption.

Syndicate control of the local bookmaker, considered by many to be just a local problem, a street-corner problem, became very obvious. The existence of loose-knit, interlocking directorates which controlled certain types of crime in specified areas became established as a reality.

But the committee was also to learn that the racketeer was found not only engaged in these illegal activities, but that he also took his

ill-gained funds and put them into legitimate businesses as well. And, of course, the racketeer, in addition to transferring his funds to legitimate enterprises, also generally transferred his illegal methods.

In the third interim report of the Kefauver committee, they stated, and I quote:

The ruthless elimination of competitors from enterprises which Mafia leaders decide to take over, the ruthless elimination of persons who have weakened in their Mafia loyalties, failed to carry out Mafia orders, or who have informed against the Mafia, has left a trail of murder from Tampa to San Francisco.

As a result of the Kefauver hearings, and the previous support furnished by the 1940 Attorney General's Conference on Organized Crime, two pieces of legislation were enacted. This was probably the real beginning of congressional interest in this subject. The witnesses convinced the committee that the basic source of racketeering income was gambling and gambling devices.

This obviously was a matter of Federal interest because of interstate shipments, so Congress enacted the Gambling Devices Act, which restricted the shipment of slot machines and similar gaming equipment, and also, Congress enacted the wagering stamp law, which required those engaged in the business of wagering to purchase Federal tax stamps.

These two pieces of legislation offered new tools for Federal aid to local communities, to buttress local communities' fight against syndicated crime. And to some extent, the tools were effective, although the actual results were less than anticipated. Gambling device shipments were severely curtailed and unquestionably this legislation made a significant impact in this area.

The wagering stamp law provided another vehicle for Federal entrance into the organized crime field. And over the years, the Intelligence Division of the Internal Revenue Service has increased its manpower commitment from 1 percent to approximately 10 percent in the enforcement of the statute.

The committee might be interested in a letter which was filed by the Department with the Supreme Court in connection with two pending wagering cases which indicate the revenue from wagering taxes, estimated cost of enforcing those statutes. I would be happy to tender that as an exhibit.

Mr. FASCELL. Without objection, it will be included at this point.  
(The document referred to follows:)



OFFICE OF THE SOLICITOR GENERAL,  
Washington, D.C., January 23, 1967.

Re No. 38, *Marchetti v. United States of America*; No. 181, *Grosso v. United States of America*.

HON. JOHN F. DAVIS,  
Clerk, Supreme Court of the United States,  
Washington, D.C.

DEAR MR. DAVIS: At the oral argument of these cases Mr. Justice Black inquired about the cost of enforcing the wagering tax as compared to the revenue collected and as to the number of people involved in that endeavor. We have compiled the following figures, many of them estimates (as will be explained further below):

Revenue:	
Total revenue from wagering taxes during 1952 through 1966.....	\$105, 988, 000
Total amount collected as criminal fines and through forfeiture of property during 1955 through 1966.....	\$11, 418, 000
Expenses:	
Internal Revenue Service's estimated cost of enforcing wagering taxes during 1955 through 1966.....	\$18, 651, 000
Department of Justice's estimated cost of prosecutions under the wagering tax laws during 1952 through 1966.....	\$8, 370, 000
Manpower:	
Number of agents in the IRS' Intelligence Division, which has primary responsibility for enforcing, inter alia, the wagering tax:	
1952.....	1, 200
1966.....	1, 760

Estimated percentage of Intelligence Division's time devoted to enforcing the wagering tax during 1955-66, between 2.9 and 11.4 percent.

*IRS expenditures.*—The task of enforcing the wagering tax is primarily handled by the Intelligence Division of the Internal Revenue Service. As shown on the attached schedule, the total cumulative budget of the Intelligence Division from 1955 through 1966 was \$258 million. No cost figures are available for 1952-54. The Intelligence Division has, based on daily work sheets, estimated the percentage of time spent by its agents on enforcement of the wagering tax. As shown on the schedule, this has varied during 1955-66 between 2.9 and 11.4 percent. Using these percentage estimates and the Intelligence Division's total budget, the Service estimates that enforcement of the wagering tax during 1955-66 has cost \$18,651,000. This figure includes support expenses, such as secretaries and supplies, but does not include overhead, such as maintenance of buildings, nor does it include the cost of relatively minor clerical recordkeeping tasks performed by other divisions of the Internal Revenue Service.

In addition, regular revenue agents, when auditing the income taxes of those engaged in the business of wagering, may spend a small portion of their time on examining wagering tax returns. However, this is more than offset by the income tax information uncovered by Intelligence Division agents incident to their wagering tax investigations. For example, during 1962 through 1966 such activities of the Intelligence Division uncovered approximately 330 income tax cases which resulted in approximately \$34 million of additional income tax assessments.

*Department of Justice expenditures.*—It is more difficult to estimate the Department of Justice's expenses incurred in prosecuting wagering tax violations. Approximately 95 percent of such cases are handled by the U.S. attorney's offices; this has amounted to an average of approximately 800 cases per year. The vast majority of such cases require between one-half and 3 days of trial.<sup>1</sup> Eight hundred prosecutions per year, each of which take an average of 3 days of trial and 3 days of preparation, would require 4,800 man-days of work, or approximately 20 men full time per year. This would cost approximately \$240,000, at an average compensation for assistant U.S. attorneys of \$12,000. Additionally, we estimate that an average of three attorneys at the Department of Justice in Washington, D.C., are occupied with such cases, which would cost approximately \$39,000 per year. Thus, according to our estimates, total annual attorney's

<sup>1</sup> While the Grosso prosecution lasted more than a month, this was highly unusual. Mr. Grosso was indicted for failure to pay the wagering excise tax for 18 separate months during a 3-year period, and the record shows that in a 1-week period in February 1969, he and his associates took \$250,000 in bets. Cases of this magnitude are unusual; we have been informed that only a few of the approximately 800 prosecutions per year take more than a week of trial time.

salaries amount to \$279,000 (\$240,000 and \$39,000). Doubling this figure in order to allow for supporting expenses (such as secretarial help, supplies, equipment, etc.), indicates an estimate of \$558,000 per year, or \$8,370,000 for the 15-year period from 1952 through 1966.

Thus, as shown by the estimates set forth on page 1 above, we believe that the wagering tax has produced substantially more revenue than its enforcement has cost.

In the *Marchetti* case, petitioner, in his brief (p. 11), has reproduced a quotation from former IRS Commissioner Caplin's 1961 Senate testimony which apparently indicates that the wagering tax laws cost more to enforce than the Government collects. Reading the quotation in context, however, it is clear that Mr. Caplin did not intend this meaning. Rather, he meant that the IRS recent increase in wagering tax enforcement expenditures had not produced an equal increase in revenue.<sup>2</sup>

I would appreciate it if you will make copies of this letter available to each of the Justices.

Sincerely,

THURGOOD MARSHALL,  
*Solicitor General.*

cc: Jacob D. Zeldes, Esq., 955 Main Street, Bridgeport, Conn., James E. McLaughlin, Esq., 606 Brick Building, Pittsburgh, Pa.

INTERNAL REVENUE SERVICE, INTELLIGENCE DIVISION

*Revenue and cost of wagering*

	Total revenue from wagering	Cost of wagering investiga- tions		Total revenue from wagering	Cost of wagering investiga- tions
Fiscal year:			Fiscal year—Con.		
1952-----	\$5,345,036	(1)	1961-----	\$7,323,000	\$1,208,000
1953-----	10,476,000	(1)	1962-----	5,929,000	1,799,000
1954-----	9,568,000	(1)	1963-----	5,698,000	2,711,000
1955-----	7,808,000	\$319,000	1964-----	6,056,000	3,339,000
1956-----	7,024,000	382,000	1965-----	6,674,000	3,342,000
1957-----	7,325,000	598,000	1966-----	6,394,000	3,249,000
1958-----	6,939,000	451,000	Total-----	105,988,066	18,651,000
1959-----	6,787,000	587,000			
1960-----	6,644,000	636,000			

<sup>1</sup> Not available.

<sup>2</sup> Mr. Caplin first told the committee that the IRS had recently increased its efforts to enforce the wagering tax, and the following exchange occurred:

The CHAIRMAN. Was that increase in revenue procured adequate to cover the cost incurred?

Mr. CAPLIN. I do not believe so. \* \* \*

The CHAIRMAN. In other words, in this effort under existing laws to collect the tax, it costs more to collect it than that which you are able to collect?

Mr. CAPLIN. Yes, sir.

\* \* \* if we had the personnel and the equipment to follow through completely, there is this tax potential which is not being collected under the present statute. (Hearings before the Senate Subcommittee on Investigations of the Committee on Government Operations, 87th Cong., 1st sess., pt. 1, pp. 96-98.)



## THE FEDERAL EFFORT AGAINST ORGANIZED CRIME

9

*Cost of waging investigations*

[Dollar amounts in thousands]

Fiscal year	Obligations incurred	Wagering time as a percent of total time available	Cost of waging investigations
1952	(1)	(1)	(1)
1953	(1)	(1)	(1)
1954	(1)	(1)	(1)
1955	\$10,999	2.9	\$319
1956	13,167	2.9	382
1957	15,739	3.8	595
1958	17,333	2.6	451
1959	18,337	3.2	587
1960	18,509	3.6	666
1961	20,820	5.8	1,208
1962	23,989	7.5	1,799
1963	28,577	10.2	2,711
1964	29,289	11.4	3,539
1965	31,235	10.7	3,342
1966	32,493	10.0	3,249
Total, 1955 through 1966, inclusive	258,487		18,651

<sup>1</sup> Data not available.

Mr. VINSON. Also, in response to certain suggestions made at the close of the Kefauver hearings, the Immigration and Naturalization Service reviewed the testimony before the committee and they immediately instituted a program of investigation of known racketeers. The program's purpose was to determine whether any of these persons were susceptible to denaturalization and/or deportation.

I would like to tender to the committee an exhibit that shows the number of investigations, the results and some of the frustrations, I might add.

Mr. FASCELL. What period of time does that cover, Mr. Vinson?

Mr. VINSON. It covers the period of time immediately following the Kefauver hearings—1951 until the present.

Mr. FASCELL. Without objection, it will be included in the record at this point.

(The document referred to follows:)

The Immigration and Naturalization Service reviewed all of the testimony offered during the hearings held in 1950 and 1951 by the Select Committee of the Senate To Investigate Organized Crime in Interstate Commerce (known as the Kefauver committee) for the purpose of determining what persons were amenable to Service action leading to deportation or denaturalization. The table below reflects the results of this survey and of Service investigations conducted prior and subsequent to the hearings. The attached exhibits are self-explanatory.

Total number of persons investigated	559
Determined to be U.S. citizens (total)	348
By birth	315
By derivation	33
Deceased	62
Total number of aliens and naturalized citizens	149
Found not amenable to Service action:	
Aliens	26
Naturalized citizens	90
Deported (exhibit A)	24
Deportation ordered (exhibit B)	4
Denaturalized and ordered deported (exhibit C)	1
Denaturalized, but not deportable (exhibit D)	4

## EXHIBIT A.—Deported (24)

Accardi, Joseph.....	Deported Aug. 17, 1955.
Accardo, Settimo.....	Left United States under W/D. Located in Italy, June 18, 1956.
Brancato, Salvatore.....	Deported June 30, 1951.
Cammarata, Frank.....	Deported Dec. 8, 1958.
Carrola, Charles V.....	Deported Jan. 7, 1954.
Catalanotte, Giuseppe.....	Deported Sept. 5, 1957.
Circella, Nicholas.....	Deported Apr. 21, 1955.
Coppola, Francisco P.....	Deported Jan. 9, 1948.
De Simone, James.....	Deported Sept. 26, 1953.
Dotto, Joseph.....	Deported Jan. 3, 1956.
Guarino, Salvatore.....	Deported July 15, 1949.
Guarnieri, Salvatore.....	Deported Jan. 10, 1951.
Impostato, Nicolo.....	Deported Sept. 5, 1955.
Luciano, Charles.....	Deported Feb. 10, 1946.
Matranga, Gaspare.....	Deported June 18, 1954.
Minaudo, Onofrio.....	Deported Sept. 8, 1954.
Nani, Sebastiano.....	Deported Feb. 8, 1958.
Scirra, Angelo.....	Deported June 23, 1953.
Scozzari, Simone.....	Deported June 13, 1962.
Sollazzo, Salvatore T.....	Deported 1961.
Stacher, Joseph.....	Deported Aug. 24, 1964.
Tabone, Frank.....	Deported June 23, 1951.
Tamburello, Nicolo.....	Deported 1954.
Terranova, Antonio.....	Deported 1951.

## EXHIBIT B.—DEPORTATION ORDERED (4)

Birns, Shondor (Alex): Ordered deported December 16, 1946, no passport.

Dentico, Joseph M.: Ordered deported January 14, 1959, no priority case.

Heart condition certified by U.S. Public Health Service precludes deportation at this time.

Marcello, Carlos: Ordered deported August 1, 1961. Travel documents to effectuate the order have yet to be obtained.

Prozansky, Morris: Ordered deported April 28, 1934. No passport.

## EXHIBIT C.—DENATURALIZED AND ORDERED DEPORTED (1)

DeLucia, Paul: Ordered deported October 25, 1965.

## EXHIBIT D.—DENATURALIZED BUT NOT DEPORTED (4)

Brancato, Frank: Denaturalized December 16, 1946, not deportable.

Costello, Frank: Denaturalized, not deportable.

Li Mandri, Michael: Denaturalized July 13, 1955. Found not deportable October 18, 1956.

Scott, Neufio: Denaturalized September 12, 1956. Found not deportable November 10, 1959.

Mr. VINSON. On July 30, 1954, and this is again in response to suggestions of the Kefauver committee, the Department of Justice established its Organized Crime and Racketeering Section. In May 1957, 3 years after its formation, the Section had a total of 10 attorneys. During this period, the results were marginal. The problem was too great and the Section was too small.

But on November 14, 1957, there was again an event which brought the problem to public notice. This was the Apalachin meeting that all of us are familiar with, where State and Federal investigators discovered a group of questionable individuals at the home of a gentleman named Barbara in Apalachin, N.Y.

More than 60 individuals were attending this clandestine meeting and they represented criminal syndicates from all over the United States.

As a direct result of this meeting, the Attorney General's Special Group on Organized Crime was appointed in April of 1958. This group established some regional offices and began to gather intelligence information on all of the attendees at the Apalachin conference. Extensive grand jury investigations were conducted and, as a result, 20 of the attendees were indicted and convicted of conspiracy to obstruct justice.

The case, however, was subsequently reversed in the Second Circuit Court of Appeals. After the Apalachin trial, the Special Group, which had been established in response to Apalachin, was disbanded and some of its personnel and its functions were shifted into the Organized Crime Section of the Department.

In 1959, the Special Group that had been created proposed that there be established an Attorney General's Office on Syndicated Crime, with nationwide jurisdiction under all Federal laws. I believe we previously tendered to committee counsel the report of that group. The suggestion was that the unit be a field prosecution office first, operating just as closely to the cooperating Federal, State, and local agencies as possible.

But despite these steps, it is a fact that little alteration in the staff of the Section or in the program took place, except for minor increases in manpower, until 1961, when the Department's present organized crime program got underway.

In 1961 a sharp "beefing up" of our Organized Crime Section began, and by 1963, we had 60 attorneys assigned to the Section. They began making regular trips to the field to meet with representatives of investigative agencies and U.S. attorneys. The flow of information to the Section increased considerably, and the interagency exchange of information and cooperation improved to a marked degree. The increase in convictions over preceding years was impressive.

I have here something I could offer for the record now. It is our Organized Crime Section statistics, running from 1961 through 1966, indicating the number of criminal informations and indictments by year, the individuals indicted by year, and the individuals convicted.

In each of these categories, there is a steady trend upward, with one exception, one category in 1 year, where there was a dip.

Mr. FASCELL. Without objection, that will be included in the record at this point.

(The document referred to follows:)

DEPARTMENT OF JUSTICE, ORGANIZED CRIME AND RACKETEERING SECTION  
*Organized Crime Section statistics, 1961-66*

	1961	1962	1963	1964	1965	1966
Number of criminal informations and						
indictments.....	45	118	262	316	491	609
Individuals indicted.....	121	360	615	666	872	1,198
Individuals convicted.....	73	138	288	593	410	477

Mr. VINSON. One of the most beefed-up activities of the new Section was a gathering of substantial intelligence. This was largely contributed by the Federal Bureau of Investigation, which showed the definite existence of a national cartel known as the Cosa Nostra.

Today, more than 25 Federal investigative agencies are contributing information to us on more than 3,100 principals, their associates, and their business connections. This has resulted in a massive accumulation of information which our Section attorneys analyze and which we disseminate to other interested Government agencies.

In order to make maximum use of the increased activity of the investigative agencies and the increased intelligence since 1961, our staff of attorneys has more than tripled, and we are still growing. In addition, we have established permanent antiracketeering units in the offices of U.S. attorneys in Chicago, Los Angeles, Miami, Newark, and New York City.

We also have one or more people designated to handle this problem solely in a number of other U.S. attorneys' offices.

But we feel that increasing the staff is not enough, and it is certainly not the sole answer. We need new ideas, and we need to constantly renew our efforts and our dedication to the program that was established.

President Johnson, aware of the nature of the organized crime problem, indicated his concern about what he called this "guerrilla warfare against society" which is a very apt description, I think, and he stated his determination to increase the Federal effort against this menace. To achieve this end, in May of 1966, he designated the Attorney General as the focal point in the Federal Government for the drive against organized crime.

I would like to tender you for the record the remarks of the President on that occasion.

Attached to that is a memorandum which the President sent to all departments and agencies which participate in the organized crime program.

Mr. FASCELL. Without objection, it will be included in the record at this point.

(The document referred to follows:)

THE WHITE HOUSE—REMARKS OF THE PRESIDENT

THE DRIVE AGAINST ORGANIZED CRIME

I have just concluded a most informative meeting on organized crime with Attorney General Katzenbach, FBI Director Hoover, IRS Assistant Commissioner (Compliance) Bacon, Internal Revenue Service Commissioner Cohen, Assistant to the Secretary of the Treasury for Enforcement, David Acheson, Fred Vinson, Jr., Assistant Attorney General (Criminal Division) and William Hundley, Chief of the Organized Crime and Racketeering Section of the Justice Department.

I know how deeply all of you share my concern over the scope and power of organized crime in America. It constitutes nothing less than a guerrilla war against society.

This is a war that takes scores of lives each year in gangland violence.

It is a war that terrorizes thousands of citizens. It is a war in which billions of dollars are drained off by illegal gambling, narcotics, prostitution, loan-sharking, arson, and other forms of racketeering.

Most damaging of all are the efforts of racketeers to seek protection against honest law enforcement by corrupting public officials. Such evil strikes at the heart of democracy. It corrupts individual officials. It breeds a general contempt for law. It saps public respect for law enforcement.

We have sought to fight this war with every Federal resource. The intense and vigorous efforts of the Justice Department and the Treasury Department have given the Nation cause for encouragement. Federal prosecutions in organized crime have risen from 17 in 1960 to 491 last year.

During the same period, the Federal Bureau of Investigation, the Intelligence Division of the Internal Revenue Service, the Bureau of Narcotics and other

agencies have been gathering more and more information on organized crime. As a result of this work, we have been able to identify the membership of criminal syndicates; to anticipate many of their activities; to prosecute their members.

I salute and congratulate all the dedicated Federal officials who are joined in this concerted campaign.

But, we must be realistic about the nature of organized crime. We must recognize that it cannot be uprooted by a short-term campaign. Criminal syndicates continue to bore into the structure of society. As we apply pressure in one area, such as gambling, racketeers shift to another, such as infiltrating legitimate business.

This makes our job more difficult—and more important. The campaign against racketeering must not only be continued but it must be accelerated.

I am today calling on each Federal Department and agency engaged in the war against organized crime to redouble its efforts.

I am today directing the Attorney General, our chief law enforcement officer, to direct the Government's renewed drive against these corporations of corruption.

A society can be neither great nor just as long as organized crime exists.

There will be no instant victory.

But today we serve notice on all syndicates of crime that victory will come.

It will come through the joint efforts of all concerned Americans.

It will come through a new partnership between Federal, State, and local governments.

Together, we will match our determination with effective action, fairly taken, to rid our land of the menace of organized crime.

#### THE WHITE HOUSE—MEMORANDUM FOR HEADS OF DEPARTMENTS AND AGENCIES PARTICIPATING IN THE FEDERAL ORGANIZED CRIME DRIVE

Organized crime constitutes one of the most serious threats to a peaceful and prosperous society. It drains untold millions of dollars yearly from our national wealth. It carries corruption and violence in its wake. It erodes respect for the law.

The Federal investigative agencies can be proud of their accomplishments during the past several years in identifying and amassing evidence against the leaders of organized crime in this country. The success of the Department of Justice in securing indictments and convictions in organized crime cases is due to the ability of your many separate investigative units to work closely together toward a common goal. You have demonstrated that this unified coordinated program of action can be effective in combating organized crime.

I have today stated my determination to continue and accelerate this priority program.

To add further strength to our efforts, I have asked the Attorney General, as the Nation's chief law enforcement officer, to act as a focal point of the Federal Government's attack on organized crime.

I want each of you to give him your help and support.

To accomplish our purposes, each investigative unit in your department or agency participating in the drive against organized crime should:

Carefully review its current organized crime programs and present detailed status reports to the Attorney General, with emphasis upon allocation of personnel and upon suggested areas of new and additional investigation.

Report periodically in detail to the Attorney General on the progress of its organized crime investigations, showing for each current or proposed investigation the planned area of inquiry, the number and type of personnel assigned, and the expected prosecutive potential.

Establish direct lines of liaison with the Department of Justice to enable the Attorney General to carry out his responsibility for directing this program.

To uproot the menace of organized crime from our society, we must work closely together, attain new levels of cooperation and match our will with effective action.

LYNDON B. JOHNSON.

Mr. VINSON. Now, all of the investigative agencies—to name a few, the principal ones are the Bureau of Narcotics, Secret Service, FBI, Department of Labor, Internal Revenue Service—which includes both IRS Intelligence and Alcohol and Tobacco Tax—Customs, the Post Office, and SEC—have all pledged full cooperation to the Attorney General.

And in our shop, the Criminal Division, we intend to meet our commitment to implement the President's directive.

As I have indicated previously, we are adding additional attorneys and we are trying to focus, concentrate our efforts in major metropolitan areas, areas in which the major criminal organizations are located and deep rooted.

As a part of this emphasis, let me tell you a few of the things we have done recently. As an experimental proposition, really—it has been discussed but never tried—we have put a task force of five attorneys and supervisory personnel from most of the major investigative agencies in one particular metropolitan area to determine whether our effort to coordinate organized crime investigations can be improved. This group, as such, has no direct investigative duties.

Their modus operandi is really to analyze all available data in this entire area, to relate that to their own jurisdictions, and to sort of divide up the problem along logical and rational boundaries. They have the task of assessing the entire problem in the area, however, and they make recommendations jointly arrived at to us, and to their own respective agencies as to what investigative approach can best be taken.

To supplement their efforts, we are holding grand jury inquiries in a number of cities in this particular area.

I might add that this group is also receiving a very substantial assistance from local law enforcement agencies in this particular area.

Secondly, to cope with the problem of racketeer infiltration of labor unions, we have recently established a labor unit which we envision as a highly mobile force, one that can move from area to area, wherever they are needed. The attorneys in this unit, of course, work very closely with the two investigative agencies having principal jurisdiction in labor matters, the FBI and the Department of Labor.

Thirdly, we put another group of five attorneys into an Eastern State. They are using conventional grand jury techniques, conventional investigative techniques of the whole spectrum of the Federal investigative establishment, and their chore is really, through these conventional techniques, to explore the entire picture of organized crime activities in that entire State.

They are looking into La Cosa Nostra, its organization in that State, into gambling, extortion, corruption of public officials, and labor racketeering.

Fourthly, we are directing our efforts at those activities which we believe bring the racketeer his greatest income. This, in our definite judgment, is wagering, gambling. Here the principal investigative agencies we work with are the FBI and Internal Revenue Service, Intelligence Division.

It is not enough to arrest and convict bookmakers and writers. That is not our purpose. To be successful in an antiwagering campaign, we have to arrest and convict the higher ups. To this end, we use grand juries to assist in the development of evidence against those who direct illegal gambling enterprises.

This involves, particularly in large national layoff bookie operations, the use of immunity statutes.

Fifthly, we intend to place a greater emphasis on the narcotics problem. A careful review of our program over the past 5 or 6 years indicates that the Bureau of Narcotics and Customs—as you know, they have a comparatively small number of agents—have made

extensive inroads on the importation and distribution of narcotics in this country.

The total number of their convictions, particularly when viewed against their manpower, is most impressive.

I have here an exhibit with respect to the Bureau of Narcotics convictions and Bureau of Customs convictions in fiscal 1966 that I would like to offer for the record. The Bureau of Narcotics had 923 convictions for narcotics and marihuana violations. The Bureau of Customs had 800 such convictions.

Mr. FASCELL. Without objection, it will be included in the record. (The document referred to follows:)

#### NARCOTICS CONVICTIONS

The Bureau of Narcotics advised that in calendar year 1966 they had 923 convictions for narcotics and marihuana violations. The Bureau of Customs advised that in fiscal year 1966 they had 800 narcotics and marihuana convictions. They also advised that in fiscal year 1966 they seized 6 tons of smuggled marihuana on the Mexican border alone. They advised that for the first 7 months of this fiscal year they are ahead.

Mr. VINSON. I was speaking just a moment ago about a campaign directed at the real source of power, money; that campaign being the one directed against gambling operations. I think the committee would be most interested in some data we have here with regard to the activities of IRS in this area.

There has been, from time to time, some discussion about the amount of resources, the cost of IRS wagering programs, for instance, as related to the amount of revenue it brings in. I submitted the letter to the Supreme Court which goes into those facts. But this exhibit is very interesting to me.

If we take the North Atlantic region of the United States, it shows that for the 3-year period, 1958 to 1960, the average taxpayer was reporting \$5,000 of adjusted gross income. During the period 1961 to 1963, the adjusted gross income on the average increased about 11 percent, to \$6,000. That is for your general run of taxpayers.

Now, during the base period, 1958 to 1960, major racketeers in this same North Atlantic region were reporting an average adjusted gross income of \$11,000. After our program commenced in 1961, and for the next 2 following years, the average adjusted gross income of these known racketeers—that which was reported, I should make clear—leaped up to \$16,700, an increase of 57 percent.

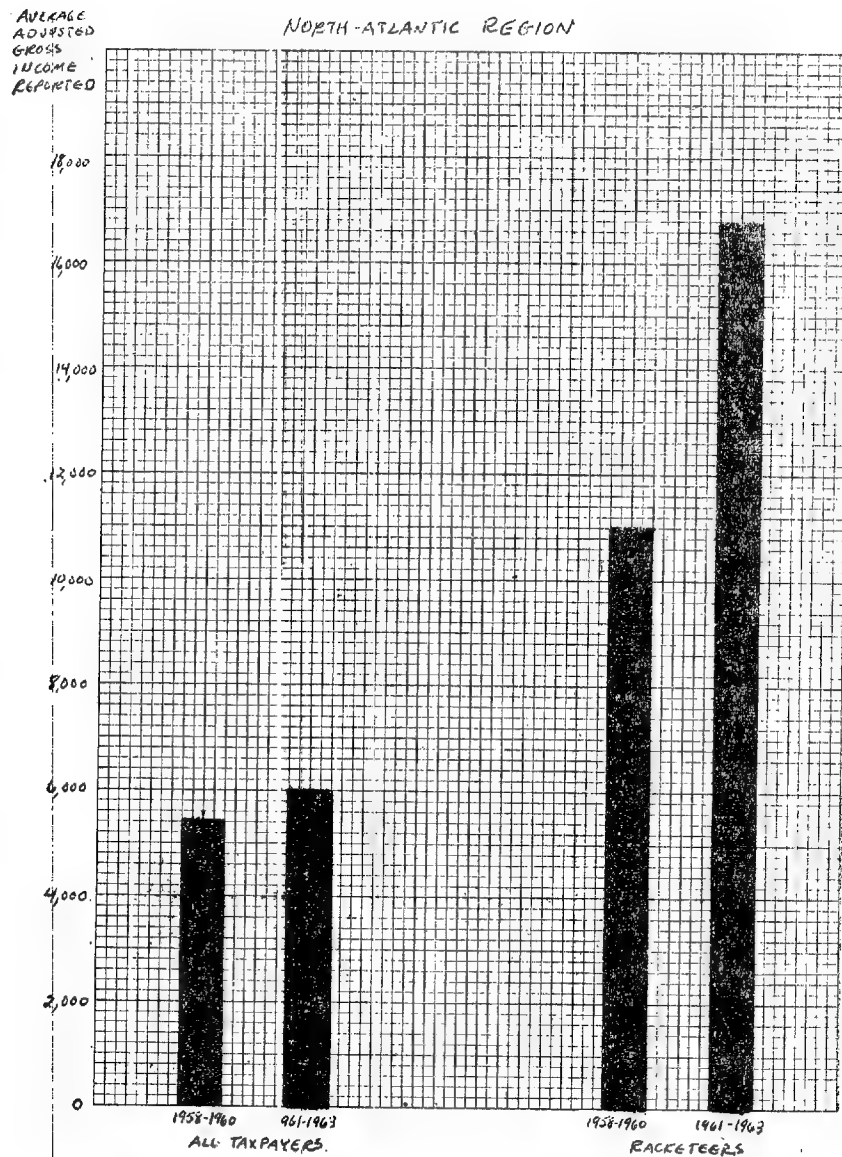
Mr. FASCELL. Without objection, we will include that in the record at this point.

(The document referred to follows:)

#### PERCENTAGE OF INCREASE OF VOLUNTARY COMPLIANCE, COMPARING ALL TAXPAYERS IN THE NORTH ATLANTIC REGION WITH RACKETEERS IN THAT SAME REGION

The accompanying bar graph discloses that the average taxpayer in the North Atlantic region for the 3-year period 1958 to 1960 inclusive, was reporting \$5,000 adjusted gross income. During the period 1961 to 1963 inclusive, the average adjusted gross income increased to \$6,000, an increase of 11 percent.

During the period 1958 to 1960 inclusive, major racketeers in the North Atlantic region were reporting an average adjusted gross income of \$11,000. During the period 1961 to 1963 inclusive, after the inception of the drive on organized crime, the average adjusted gross income leaped to \$16,700, an increase of 57 percent.





INTERNAL REVENUE SERVICE, INTELLIGENCE DIVISION

*Wagering enforcement*

	June 30, 1961	June 30, 1962	June 30, 1963	June 30, 1964	June 30, 1965	June 30, 1966
Wagering, excise tax:						
Total program:						
Prosecution recommended.....	80	153	132	152	92	176
Convicted.....	31	25	50	50	46	28
OCD:						
Prosecution recommended.....	14	78	1 303	113	68	160
Convicted.....	1	3	( <sup>2</sup> )	31	22	7
Wagering, occupational tax:						
Total program:						
Prosecution recommended.....	701	878	1,001	1,106	996	1,001
Convicted.....	447	496	548	816	760	695
OCD:						
Prosecution recommended.....	0	333	1 393	749	743	811
Convicted.....	0	68	( <sup>2</sup> )	395	467	185

<sup>1</sup> Wagering excise and occupational.

<sup>2</sup> Not available.

Mr. VINSON. Our plans for the near future include the greater use of grand juries and the immunity statutes which are available to us. Many of the regulatory statutes, as you know, have immunity provisions. The Federal Communications Act is probably the most commonly used.

And, of course, under the narcotic statute and under the labor statutes, we also have available to us immunity provisions whereby we can compel the testimony of those whose testimony we feel is more valuable to us than their conviction.

We find repeatedly that it is necessary to grant immunity to the small-time racketeer to get evidence to convict his boss, and we are prepared to do that. However, we are seeking new and additional immunity legislation which would operate more directly in areas which are principally populated by La Cosa Nostra.

This includes interstate transportation in aid of racketeering, for instance.

Now, of vital importance in any program of this nature is the development of meaningful intelligence information, because today's intelligence is tomorrow's prosecution. In order to gather this information, close cooperation among local, State, and Federal authorities is vital. In the Department, and particularly in the Criminal Division, we recognize that crime fighting is basically a grassroots proposition; that truly lasting success can come only with effective action at the community level. The President's Crime Control Act of 1967 reflects this philosophy.

Also, in your statement, Mr. Chairman, you mentioned that Henry Petersen had stated that all of the Federal investigative agencies would have trouble policing one major city. That is certainly true. For instance, in New York City, I think they have over 27,000 policemen, which is more people than we have in the Federal investigative establishment.

That comment, of course, was directed to that sort of quantitative analysis, or comparison. However, though we think the ultimate solution depends upon effective community, State, and local law enforcement, we know and you know that there are major criminal syndicates whose activities transcend the boundaries not only of cities but of States and countries, as well.

We recognize the existence of problems that are so large and so complex that only a unified effort can succeed. I think Congressman Edwards' statement revealed that law enforcement today really is fighting a two-fronted war. We have a war against organized crime and we also have with us the very serious problem of street crime, crimes against person and property.

Now, it is not easy to say which fight is more difficult, because each of them has its own particular and peculiar set of problems, but although still involving himself occasionally in street crime, murder, today's racketeer has taken on a different character and really tries to avoid notoriety which is associated with crimes of violence. Today he is the sophisticate. He moves into areas of commercial crime, where the victim is brought into the web of conspiracy, made a party to the crime.

These crimes, really, you have to deal with differently. I call them consensual crimes, or victimless crimes.

Narcotics is a good example. Gambling is a good example, shylocking is a good example, where the victim walks in willingly to make his bet or loan. The real victim, of course, is society.

The syndicate leaders these days employ lawyers and accountants in the establishment of very intricate business setups. They use—well, we know there is one gentleman we are very interested in—in checking on him through our intelligence files, we find that there are 17 purportedly legitimate businesses in which he has a substantial interest.

These modern-day syndicate leaders use modern public relations techniques. They join the country club and they are very good about supporting local charities. They make every effort to be looked upon as pillars of the community. Yet, under the facade of legitimacy and above layers of insulation in the organization, the illegal methods are continued.

One of the real basic weapons of syndicated crime is the use of force or the threat of the use of force to maintain discipline within the organization, to prevent witnesses from testifying, to collect a debt, and to maintain their own control over illegal activities in certain areas.

Now, this all adds up to what our primary problem is in prosecuting organized crime, the obtaining of evidence. Debtors do not want to testify against their bookmakers; addicts do not want to testify against their suppliers; and borrowers do not want to testify against shylocks.

As I state, we intend to make full use of the immunity statutes, and we are seeking additional authorization for immunity.

We recognize that in the Department of Justice, we have an obligation to be a moving force, a catalyst, if you will, lending whatever assistance we can to the local authorities while we focus and concentrate our efforts on pursuing those criminals whose operations go beyond the boundaries or the capabilities of local law enforcement.

But as I previously stated, we recognize that the principal responsibility for law enforcement generally belongs to the States, and if we are to have lasting success in the area of organized crime, we must actively involve States and local law enforcement agencies.

We fully concur in the recent recommendation of the National Crime Commission that each State form organized crime units similar to that in the Department of Justice. Before the Crime Commission report came out, as a matter of fact, in Michigan, we assisted the

## THE FEDERAL EFFORT AGAINST ORGANIZED CRIME

19

We stand ready, of course, to furnish to the States whatever assistance we can so that, in a unified effort, we can achieve maximum reduction in the influence and in the extent of organized crime.

Now, I noted that your opening statement was oriented largely to the Organized Crime Section of the Criminal Division. My statement, of course, was so oriented also, as that is my primary responsibility.

However, I must point out in fairness to them, the people who are massively involved in the effort against organized crime and the people whose efforts pay off in the struggle against organized crime are the investigative agencies, the principal ones of whom I have mentioned.

I have two further exhibits that may be of interest to the committee. The first is a quantitative analysis of indictments, convictions, acquittals, and so forth, of persons in the period 1961 to 1966, whom we have definitely identified as "Cosa Nostra personnel."

It is broken down on pages 2, 3, and 4 as to type violations for which they were indicted.

Mr. FASCELL. Without objection, the exhibit will be included in the record.

(The document referred to follows:)

*Quantitative analysis of indictments, convictions, and acquittals of Cosa Nostra personnel, 1961-66*

	Total
Indictments.....	185
Convictions.....	102
Acquittals.....	6
Dismissals.....	6
Reversals.....	4

Violation	Indictment	Conviction	Acquittal	Dismissal	Reversed
Narcotics.....	35	20		2	3
Tax evasion.....	25	16		1	
Wagering (stamp, taxes).....	16	2		1	
Interstate gambling.....	12	6			
Extortion.....	12	9	1		
SEC:					
Interstate transportation of stolen securities.....	13	3			
Interstate transportation of counterfeit bonds.....	2				
Illegal sale of securities.....	1	1			
Sale of worthless stock.....	1				
Miscellaneous.....	1				
Contempt.....	8	8			
Theft from interstate commerce.....	8	2			1
Assault on Federal officer.....	7	6			
Obstruction of justice.....	7	4	2		
Bankruptcy fraud.....	6	4			
False statements--					
On FICA loans.....	3				
To IRS agents.....	1	1			
On SBA loan applications.....	1		1		
To Federal savings and loan company.....	1		1		
Liquor laws.....	5	4			
Interstate transportation of stolen merchandise.....	4	3			
Jumping bail.....	4	4			
Labor:					
Racketeering.....	2			2	
Taft-Hartley.....	3	2			
Perjury.....	3	1			
Bank robbery.....	2				
Counterfeiting.....	2	2			
Mail fraud.....	2	1			
Parole violation.....	2	2			
Harboring.....	1				
Interstate transportation of stolen money, et al.....	(?)				
Migratory Bird Act.....	1	1			
Moving goods from bonded area.....	1		1		
Smuggling contraband to prisoners.....	1				

11 severed.

Mr. VINSON. I also have an exhibit that may be of interest to the committee, of certain Federal resources applied in combating organized crime for the fiscal year 1967. I would point out that this is incomplete.

Also, I would point out that the figures are approximations only. For instance, from the Treasury Department, we have approximations from IRS and the Bureau of Narcotics. That, obviously, leaves out Secret Service, with whom we are constantly involved to a lesser degree than these two agencies, and it also leaves out Customs.

There are other agencies which are not listed here.

The approximations are both of man-years devoted to the organized crime program and dollars in thousands.

Mr. FASCELL. That is distinguished from all other operations in the Criminal Division?

Mr. VINSON. It goes beyond the Criminal Division, Mr. Chairman. It is the Treasury Department, IRS and Narcotics; Justice Department, FBI, Criminal Division, and U.S. attorneys. Obviously, we had to make some fairly arbitrary determinations here.

For instance, in the Criminal Division, we have now 55 attorneys, but they are supported by a large appellate section, a large legislative section. So that is why I say these are approximations.

Mr. FASCELL. Without objection, it will be included in the record (The document referred to follows:)

*Federal resources applied in combating organized crime, fiscal year 1967*  
(approximations)

[Dollars in thousands]

	Man-years	Amount
Treasury Department:		
Internal Revenue Service.....	451	\$6,600
Bureau of Narcotics.....	205	3,900
Total, Treasury.....	656	10,500
Justice Department:		
Federal Bureau of Investigation.....		8,600
Criminal Division.....		1,679
U.S. attorneys.....		1,300
Total, Justice.....	700	11,579
Post Office Department.....	12	179
Securities and Exchange Commission.....	10	97
Total.....	1,378	22,355

Mr. VINSON. I apologize for the length of my statement, Mr. Chairman. But that is it. I shall be delighted to answer any questions you, the committee, or counsel may have.

Mr. FASCELL. Thank you, Mr. Vinson. I am sure we have plenty. I want to thank you for a good summary of your operations.

Let me ask you about the National Conference on Crime Control. This was called by the Attorney General, I believe, and at that conference Governors of the 50 States were invited, and the attorneys general of each State. Each Governor was permitted three additional members of the delegation.

Mr. VINSON. Each Governor was invited to bring representatives. Actually, I do not believe the Governors came. They ordinarily send their delegates, who might or might not be the director of public safety of the State.

One of the difficulties in talking about local law enforcement in States is that each State is set up so differently. In Michigan, we were able to establish an organized crime unit—to assist them in establishing it—because the attorney general had very broad powers.

California, likewise. But in most States, the attorney general's office is connected, is really interested only in and has jurisdiction only over civil matters. So the representatives from States vary.

Mayors were invited to send one or two delegates.

Mr. FASCELL. From what I have read and learned about that conference, it seems to have served a very useful purpose for cross-communication between interested people at the local level and the Federal Government. Am I correct in that assessment as far as you are concerned?

Mr. VINSON. I think you are very correct. It also served to open up lines of communication between the various parts of the criminal justice system—investigations, courts, and corrections.

Mr. FASCELL. In the light of the problem that we have in the growth of both population and in terms of crime, organized and otherwise, would it not be a good idea for the Attorney General to call such a national conference on a regular or annual basis?

Mr. VINSON. I would defer judgment on that, Mr. Chairman. It would depend entirely on the makeup of the conference. We hope, actually, with the Crime Control Act of 1967, which is presently before the Judiciary Committee, to open up really meaningful lines of communication between the Federal Government and local and State.

Mr. FASCELL. You mean organizationally and from a funding standpoint?

Mr. VINSON. Well, funding, and as a practical matter, too.

Mr. FASCELL. How do you take care of the problem, for example, that will exist in a State like Florida, which, under its laws, does not give the attorney general the same power the attorney general has in Michigan or California?

Mr. VINSON. Well, the act does not require a State organization—for instance, the city of Miami, under the Crime Control Act, could develop a plan for upgrading and improving its police services, or its correctional system, and apply for a grant under the act.

Mr. FASCELL. I was referring, primarily, to your conclusion that you concurred in the recent recommendation of the National Crime Commission that each State form an organized crime unit similar to that in the Department of Justice.

Mr. VINSON. Right.

Mr. FASCELL. Now, what you are talking about is one legislatively established and publicly funded—I assume that is what you are suggesting—

Mr. VINSON. Yes, sir.

Mr. FASCELL (continuing). Or recommending, as the best means of dealing with the problem. At least at the State level?

Mr. VINSON. That is right. It would have to be located at different places in different States. For instance, in Michigan, it can be located in the attorney general's office. In Florida, the legislature may wish to locate it elsewhere because the attorney general of Florida, as I understand it, has only appellate jurisdiction in criminal matters.

Mr. FASCELL. Of course, it is of direct interest to us in Florida because of this new concept which the Governor of Florida has under-

taken, which I suppose is under examination not only federally but in other States, of a direct contract or direct deputizing of investigative personnel in order to carry out a law enforcement program.

Of course the two concepts are as far apart as A and Z. At least they are in my judgment.

Mr. VINSON. I think that is unquestionably true, because I think law enforcement has to be institutionalized. That is one of the first orders of the public business.

Mr. FASCELL. I have made myself clear on this point and, of course I concur in that, and I take this opportunity to do it again publicly, because it is a matter of vital concern to us. I, too, think it has to be institutionalized in a regular public sense, duly authorized, legislated, and funded. No matter how worth while the objectives may be, I think from the standpoint of dealing with the problem on a national basis—for example, dealing with organized crime—in order to be able to do your job effectively, you have to have proper and direct lines of communication both ways, with the State and the communities and with the Federal organization. Otherwise, there would be very little that you could do, as I see it.

Mr. VINSON. That is correct.

Mr. FASCELL. By the way, how about explaining to me while we are on that subject, just exactly what the Organized Crime Section does?

Mr. VINSON. Well, the examples I gave, I think, are illustrative of what we do. I suppose, to oversimplify it, intelligence information is gathered. We will take all the intelligence information in a given area, given city, given State, and analyze it, explore it, and determine what investigative approaches will best reach the heart of the problem, the hard-core organization.

Mr. FASCELL. In your statement you said that in 1961 attorneys began making regular trips to the field to meet with representatives of investigative agencies and U.S. attorneys.

Mr. VINSON. Right.

Mr. FASCELL. I am trying to reconcile that statement with what you are telling me now.

Mr. VINSON. No; I was talking about preliminary and you are talking about ultimate.

As a preliminary matter, we will digest intelligence in a given area. Perhaps we have received 90 pieces of information that action—

Mr. FASCELL. Do I understand then, that what you are talking about is the input from 25 investigative agencies at the Federal level—

Mr. VINSON. Exactly.

Mr. FASCELL (continuing). That come into the organized crime section?

Mr. VINSON. Exactly.

Mr. FASCELL. This is "intelligence." Is this automatic or directed? I mean, how do you get the intelligence to start with, or why did you get it?

Mr. VINSON. We get it as it comes in from some agencies. Other agencies report to us monthly with intelligence information. If it is a particularly hot piece of information, it may be communicated immediately. Virtually all agencies give a quarterly report to us of current investigations, investigations contemplated.

In addition—

Mr. FASCELL. But, Mr. Vinson, is not that kind of stale? What good are statistics on a monthly or quarterly basis or a semiannual basis? What good is that kind of intelligence?

Mr. VINSON. They are not statistics, Mr. Chairman.

Mr. FASCELL. They are leads?

Mr. VINSON. They are leads.

Mr. FASCELL. Hard intelligence or otherwise?

Mr. VINSON. Yes—well, it is hard and soft. We look for the hard. And after that is analyzed, then we decide what avenues of investigation are best. Then our people go out. They will—well, for instance, Henry and I have had seven meetings in about seven of the major cities in the past.

Mr. FASCELL. You went to Miami, Fla.—I remember that—

Mr. VINSON. That is correct.

Mr. FASCELL (continuing). Just recently.

Mr. VINSON. That was this winter. We went in the winter and not in the summer, Mr. Chairman.

Mr. FASCELL. Mr. St Germain.

Mr. ST GERMAIN. It sounds to me as though this is a shotgun approach, however. You say you get this information in from approximately 25 Federal agencies. However, is this directed—in other words, do you tell them: "We want information on John Doe or on this information"? Do the 25 agencies in various ways go out and gather evidence and statistics and what have you on this operation or on this individual or on this group of individuals? Or do you just wait and they dump this into your laps and you analyze it, and from there you decide who you are going to go after or what you are going after?

Mr. VINSON. It works both ways. But it is not a shotgun approach, Mr. Congressman. It is the exact opposite because our effort is to focus and to choose targets in a given area and then to discuss these targets with the investigative agencies in their jurisdictional limits; then to conduct grand juries.

So it is the exact opposite of a shotgun approach, but I think where I may have misled you, we get intelligence on specific people. We also get general criminal intelligence.

Mr. FASCELL. Mr. Edwards.

Mr. EDWARDS. Well, along that same line, are you saying that if the Internal Revenue Service, for example, has an issue come up concerning a certain individual, a criminal issue, that that information is immediately fed into this central area and a file is made in your section on this individual?

Mr. VINSON. Yes, if it is an individual—we have approximately 400 people that we have told Internal Revenue that we are interested in, and any information concerning them would flow in in a matter of course.

Mr. EDWARDS. And these are the 400-odd people that make up what you consider the leadership in the criminal element; is that correct?

Mr. VINSON. We consider them to be leadership and also vulnerable to tax investigation.

Mr. EDWARDS. Now, you mentioned, or I have seen somewhere mentioned 2,000 or 3,000 names on the cards that you fellows try to keep up with.

Mr. VINSON. Yes, sir.

Mr. EDWARDS. Why are you limiting it to 400 or thereabouts?

Mr. VINSON. Well, that list changes from time to time. Investigations are closed; investigations are opened.

Mr. EDWARDS. What you are saying is that you have generally about 400 active—

Mr. VINSON. Oh, I would say within the past 2 years it may have run a little less than that to 700—tax, I am speaking of, only.

Mr. EDWARDS. Do you feel that you have satisfactory guidelines for these other agencies so that you are convinced you are getting in the type of information in a proper procedure to keep your section informed on the individuals?

Mr. VINSON. Generally, yes. However, I am not at all satisfied with our system. We are now exploring the possibility of computerization of this intelligence system in the Department.

Mr. EDWARDS. On the known or suspected criminal element?

Mr. VINSON. Yes, sir.

Mr. EDWARDS. You are not getting over into that nebulous field of putting everybody in the country on a card?

Mr. VINSON. No, sir.

Mr. FASCELL. You just woke up Mr. Gallagher.

Mr. EDWARDS. I saw him blink his eyes.

You are referring to the criminal element?

Mr. VINSON. Yes, sir. Of the 3,100 people that you referred to that we are interested in, approximately two-thirds of them have been identified by us definitely and definitively as Cosa Nostra members.

Mr. EDWARDS. The guidelines that you are using, they are written? Do you have some rules or procedures written out that you follow in your interagency relationships?

Mr. VINSON. That is a question that cannot be answered yes or no. We have letter agreements with some. We prepare memorandums of understanding between investigative agencies to define their responsibilities.

Mr. EDWARDS. But what you do have you are convinced is doing the job as it needs to be done?

Mr. VINSON. I think it does, Mr. Congressman.

Mr. EDWARDS. Now, the chairman mentioned a moment ago the meeting of State officials and what not. On March 30 there was a story in the New York Times that Mr. Petersen, I guess it was, said that the criminal element was linked up with the Teamsters and also the East Coast Longshoremen's Union. Can you elaborate on that? Or perhaps I should ask Mr. Petersen.

Mr. VINSON. Certainly. I would be glad to.

We feel elements of organized crime have infiltrated many legitimate organizations, certain labor unions, locals, certain legitimate businesses.

Mr. EDWARDS. That is all you care to say?

Mr. PETERSEN. I think we are talking about current investigations here and, frankly, I would not like to identify them further.

Mr. EDWARDS. Well, how general is the term or the designation "Cosa Nostra"? When you use that term, are you speaking about a given group of people that you can, in effect, put your finger on, or is it a general term used to denote organized crime generally?

Mr. VINSON. No, they are definitive groups, Mr. Edwards. I think the Crime Commission Report points to 24 such "families," they are called. That figure may be misleading because we feel some are sub-groups. In any event, there are definitely groups banded together in



this organization, and they do have a loose board of directors at the top which settles problems, jurisdictional strikes, so to speak, jurisdictional disputes, and imposes discipline.

Mr. FASCELL. Will the gentleman yield at that point?

Mr. EDWARDS. Surely.

Mr. FASCELL. It might be appropriate at this point, without objection, to include in the hearings all of chapter 7 of the Crime Commission's Report, which deals with organized crime, so that we have in the record specifically the matter which Mr. Vinson has just referred to.<sup>1</sup>

Mr. VINSON. Fine. I think that would be helpful.

Mr. EDWARDS. Now, the report says generally that all these folks are Italians. Now, you mentioned in your statement the national crime cartel, somewhere toward the tail end of your statement. How about international—are there any international ties?

Mr. VINSON. Well, if you are speaking about—if you are speaking in terms of control, control abroad?

Mr. EDWARDS. Yes.

Mr. VINSON. I don't think so. However, there are definite international ties. There are organizations, for instance, which overlap our boundaries with Canada. The Canadian authorities have become increasingly concerned in the last several years about the operations of these groups there. Those who engage in the narcotics traffic obviously have international ties in the Middle East and the south of France, known as the Corsican mobs.

Mr. EDWARDS. Do you have any reasonable working relationships with these other countries?

Mr. VINSON. That is done in the area of narcotics by the Bureau of Narcotics which has, oh, I would guess, near 30 people, perhaps, overseas and, of course, the FBI has legal attachés overseas. The Organized Crime Section of the Criminal Division of course has none.

Mr. EDWARDS. How much are the wagering stamps—what is the wagering stamp tax now?

Mr. VINSON. \$50, I think. There may be an additional tax on each employee or each runner.

Mr. EDWARDS. Is that high enough?

Mr. VINSON. Well, I think there are two cases pending before the Supreme Court right now, *Grosso* and *Marchetti*, where the Court has been asked to rule on the constitutionality of both the registration provisions and the tax provisions and I think any comment on that should wait. They have been pending. There will be a decision before long, I would guess, in that area.

Mr. EDWARDS. In your statement you referred to several cities where you have staff attorneys in your Section, racketeering units. Are there other cities that need to be set up similarly and would be but for funds or for some other reason?

Mr. VINSON. There are other cities where we are going to put people—for instance, this list is incomplete, as a matter of fact. I do not want to mislead the committee by saying we have an office, for instance, in Detroit or Las Vegas. We do have a man there who uses the resources of the U.S. attorney's office, among others, and this is our man on the scene. We can use some more lawyers, and we have

<sup>1</sup> Chapter 7 of the Crime Commission's Report was reprinted in the "Task Force Report: Organized Crime" with the addition of annotations to indicate source material and to elaborate on statements contained in the chapter, and appears on p. 113.

requested more lawyers. This is pending now before the Appropriations Committee.

Mr. EDWARDS. How many do you have now?

Mr. VINSON. We now have, I believe, 55. In 2 or 3 months we will be up to 60. I have asked for 11 more.

Mr. EDWARDS. You referred to the fact that frequently you will bypass a bookie to try to get at the higher up. I suppose this is normal criminal procedure. Then you mentioned you had about 900-odd convictions in 1966 in the Bureau of Narcotics.

Can you break that down as between the pusher or the user and the higher up? How effective are you in getting at the higher up in this policy?

Mr. VINSON. Unfortunately, this statement just got into our hands today. It should be broken down first, I think, between marihuana and heroin and other drugs before you make that further breakdown. We would be glad to get that for you. I think the Bureau of Narcotics does not—it really devotes its resources to the larger traffickers.

Last year they had, out of two narcotics seizures, I think each of them was the largest in the history of the Bureau. One was 225 kilos and the other was 206 kilos.

Mr. EDWARDS. On your immunity statutes, do you feel that this is a key area where you can get more convictions or root out more of this criminal activity if you had better immunity statutes?

Mr. VINSON. Yes, sir; definitely.

Mr. EDWARDS. Is this a key area?

Mr. VINSON. It is a key area particularly with reference to the Cosa Nostra and the conspiracy of silence.

Mr. EDWARDS. And you have requested certain immunity statutes in the 90th Congress?

Mr. VINSON. Yes. The President proposes them in his message on crime actually.

Mr. EDWARDS. Well, now, if those statutes are enacted, if those bills are enacted, will that give you the immunity provisions that you need, or is this just going to help a little?

Mr. VINSON. No, it covers four areas of principal interest to us in racketeering cases.

Mr. EDWARDS. Now, one final question, Mr. Chairman. I realize that we could sit here for a week, but I want to ask one final question and then pass on.

Have the recent Supreme Court decisions that we have heard so much about had any real effect on your convictions, or is it really too early to say? I wonder if you would just discuss that briefly.

Mr. VINSON. Well, generally speaking, I think it is early. As far as the organized crime program is concerned, I feel it has little effect. Here you are dealing—or no effect, really, because you are dealing with a hard core element, people who have bondsmen and lawyers in their hip pockets, and they do not need warnings and prompt presentments. They do not talk.

I should modify that statement. We have a substantial number of informants with respect to the Cosa Nostra, people who will talk to investigative agencies, who will talk to us; they will not be witnesses, however, and that is our problem.

Mr. EDWARDS. So if the Supreme Court decisions have an adverse effect, it would be more toward the street or surface crime rather than the organized crime?

Mr. VINSON. They certainly have no effect in the organized crime area.

Mr. EDWARDS. Thank you, Mr. Chairman.

Mr. FASCELL. Mr. Gallagher.

Mr. GALLAGHER. Thank you, Mr. Chairman.

You brought up a good point. I might just as well dwell on that a little bit, but I read another thing that sort of fascinates me in your statement in the Commission's report wherein you point out, among other things, that their membership is exclusively Italian, if you will pardon the expression "Italian." I think that is rather insulting, but it raises another question: What has the civil rights unit done about integration into this group? There are certain civil rights aspects of this, and I am wondering what you have done about it.

But the other thing that Mr. Edwards raised is the point of the computer and the work that we have been interested in in this whole field. The thing really that I find disturbing about all this type of thing is: Are we really looking down a path as to where we are going and what we are really putting together?

For instance, in the question of the national data bank there are some 20 agencies who wish to collect all their information on a unified tape and set up a national data bank in the interest of efficiency and economy.

Now, they say that there will be no intelligence aspect to this; that this will be strictly for the purposes of collecting information to be used for broad planning, and things like that.

The thing that disturbs me, I am not sure whether or not you need a social security number to belong to one of these organizations or not, but if you do, then that social security number would be included and therefore the tapes of several of the agencies that you mention here will be part of the blend into the national data center. Now, do you see any danger to this?

Mr. VINSON. Let me see if I can separate that question into two parts. Is this data bank you are referring to the NCIC that the FBI is putting—

Mr. GALLAGHER. No; this is the proposed—everybody is getting into the computer business, and one of these days, like the early telephone systems, and the early railroad systems, we are going to have a national tie-in with most computer systems. The computer system that I am talking about is the proposal by the Bureau of the Budget to construct a computer which would include all of the information of 20 different Government agencies. The filing symbol of all of that information would be the social security number.

Several of the agencies whose information would be gathered and centralized also include several of the agencies such as the Internal Revenue Service, the Post Office, the Department of Labor that you mention here in your—that you are considering now for computerization. Now, what about their contention that this is not an intelligent type of operation and yet yours would be an intelligence operation and the tape would be interchangeable?

Mr. VINSON. Well, that which I had reference to bears no relation to the Bureau of the Budget proposition that you mentioned. It would concern 3,100 people that we have identified as the leading racketeers in this country, about two-thirds of whom we have identified as members of the Cosa Nostra. And I want to know everything I can

know about them. I want to know their social security number and where they have worked.

Mr. GALLAGHER. Well, I read in the—well, would you then have jurisdiction to go into the national data center, if there was a cross blend here of noncriminal names?

Mr. VINSON. Mr. Gallagher, I am not familiar with that proposal of the national data center. I have heard it discussed as a speculative thing, but I was not aware there was some hard legislative proposal or hard administration proposal in that regard. I agree with you that it is somehow a little offensive to have everything known about everybody in some computer bank some place. I think that raises an entirely different level of problems other than the ones I am speaking of about our intelligence files.

Mr. GALLAGHER. Yes, but if you were going to computerize, it would be also impossible, unless the system were properly thought out, to program out, say, a hundred of these known criminals, or whose ever name you would want to be removed even from your inspection list. The danger that I would like to point out, in getting into an early computer stage, is that the state of the art is such where it has not reached that point where adequate safeguards and protections can be given, not only to your system but also to protecting people who might have illegal access.

Mr. VINSON. Well, our system, our system as it is now maintained and as it would be maintained is subject to very rigid safeguards. We do not want leaks. We do not want broad dissemination. We want dissemination only on a need-to-know basis for our purposes.

Mr. GALLAGHER. Is it a short-time system?

Mr. VINSON. As I say, we are really in the crawling stage on this. The Department of Justice got what they refer to as third generation computers just a relatively short while ago, and they have put on its usual housekeeping chores, administrative chores, statistics as to the Federal court systems, and cases in the system. And we have talked to three different people about how we should approach this, but in my judgment it has to be our computer and under our control.

Mr. GALLAGHER. Most of the people who are in the computer systems feel that it would be impossible to put this computer together now without extremely high cost and still provide adequate safeguards. For instance, the people from the Rand Corp. feel that no system at this stage—

Mr. VINSON. Is secure?

Mr. GALLAGHER (continuing). Is secure. And I would suggest that—

Mr. VINSON. Even though it is contained on your own premises?

Mr. GALLAGHER. Yes, even though it is contained on your own premises.

Mr. VINSON. I have read a memorandum from the Rand people about this problem that raises some interesting questions for the future.

Mr. GALLAGHER. Several of those people feel that they could crack any computer system in half a day so I would just point out that perhaps it might be useful to your purpose.

While we are on that subject, I read an article in the New York Times several weeks ago that your computer now has got 3,100 names. It has 300,000 names.

Mr. VINSON. Well, that was—we have, I think the—I do not remember the precise quote but 3,100 names is correct. I think it was 300,000 cards.

Mr. GALLAGHER. What do the cards refer to?

Mr. VINSON. The cards basically refer to—well, among other things, associates, business interests, things of that sort.

Mr. FASCELL. Will the gentleman yield?

Mr. GALLAGHER. Yes.

Mr. FASCELL. There has just been a rolloff.

Mr. GALLAGHER. Is that first go-around?

Mr. FASCELL. That is first go-around, and they are on the F's.

Mr. GALLAGHER. This would be of interest to you.

Mr. FASCELL. Go right ahead.

Mr. GALLAGHER. Well, would not then once you—we found in the other field—I am sure this will probably apply to your system—when you obtain information and names the appetite continues to grow like a tapeworm feeding on itself. At what point along the line do you program out a name that might be on your card?

Mr. VINSON. We have not yet converted to computer. We are still in a manual—we have 20 clerks in the Intelligence Unit. It is a manual system.

Mr. GALLAGHER. Oh I see. I see. Well would this kind of name go into a computer or would just your known felons or known racketeers go into it? At what point do we have a break-even point with the public so that the public does not get on one of these cards and get into your computer, and the citizen is then branded forevermore as having an association with a known criminal, and therefore the legitimacy petrifies into the system?

Mr. VINSON. Well, if a citizen is known to be associating with a gentleman we know to be a member of the Cosa Nostra, his name will go into our system be it manual or computer.

Mr. GALLAGHER. And is it ever programmed out? For instance, some of the proposals for even the criminal aspects of this would be the national data bank. After 10 years the computer would be set to program a person out.

Mr. VINSON. Well, we have not reached that—I am afraid you have me at a disadvantage. You obviously know a great deal more about computers than I do.

Mr. GALLAGHER. Well no; the only thing I say Mr. Vinson—

Mr. VINSON. I understand the problem you are trying to raise.

Mr. GALLAGHER (continuing). Is we are all trying to get into this computer business, and we are all—with the rapidly accelerating speed of technology, the thing that disturbs me is that many of us, not only your shop but many of the shops in Government, are plunging headlong into this thing without considering the rippling effects to society. The thing that disturbs me is what happens to this tremendous apparatus that you are now developing in considering the rules of Parkinson and growth of bureaucracy and this type of thing. What happens to this apparatus and the implication to our society and our Government structure when there are no more racketeers, when the racketeers disappear like the bootleggers?

Mr. VINSON. Well, when we reach that millennium, we will be glad to program everything out.

Mr. GALLAGHER. Well, I think it is really something you should consider at this point because under your statistics, racketeers—this generation of racketeers is going to go by the wayside and more and more as we move to a cashless society you must project 10 or 15 years. Then what happens to all of the things that you are advocating that we do under the banner of antiorganized crime? This is the thing that disturbs me, the weakening of the constitutional guarantees, the justification for putting anyone's name into one of these files and at some later date this would petrify long after you are gone and long after you could say, "Well, he was not a very serious fellow," and all of this business, but this is the thing that disturbs me.

What is going to happen when all these fellows disappear and yet we have these precedents and the cases and the desire of bureaucracy to perpetuate itself?

Mr. FASCELL. Will the gentleman yield at that point?

Mr. GALLAGHER. Yes.

Mr. FASCELL. We are going to have to make this rolleall. We will have the second bell pretty quick.

We are obviously not going to finish, Mr. Vinson and Mr. Petersen, so we would like to establish another date—perhaps next week, at your convenience. Are you at liberty to tell us now when you can come back?

Mr. VINSON. I would appreciate the opportunity of consulting my calendar.

Mr. FASCELL. All right.

Mr. VINSON. I have some problems next week that I know of, but I am not sure what days they are. I wonder if it might not be more efficient and more constructive—I understand counsel for the majority and the minority have a significant number of questions. I wonder if it might not be more efficient and constructive for you to submit those questions. We would return the answers promptly and then make ourselves—

Mr. FASCELL. And then make yourselves available at your convenience. We might do that, too, Mr. Vinson, and that might be a good way to do it on procedural or operational or structural questions. But in order to give all the members of the subcommittee an opportunity to interrogate you, we would welcome you back at an early time, just as early as your busy schedule will make it possible.

Mr. VINSON. Well, I will be delighted to come back if that is necessary. I just wonder if we could not get a lot of things out of the way and proceed more efficiently if—

Mr. EDWARDS. Mr. Chairman, if I may say, the minority counsel has prepared some questions that I think readily lend themselves to these fellows taking them back and preparing some answers. They are more research-type questions. I would suggest the staff members perhaps get with the Justice Department people.

Mr. ST GERMAIN. Mr. Chairman, I never go much for the submission of questions in written form and the answers that come 5 weeks after completion of the hearings. Oftentimes these questions when asked person to person bring out points that are of interest to the committee members and raise other questions in their minds. I do not particularly cotton to it unless it is something on basic statistics.

Mr. FASCELL. We will explore that. We are going to be very careful. We are not going to submit the jurisdiction of the committee to a written question-and-answer arrangement, but where it is possible we will explore all things that you have in mind or that Mr. Edwards has talked about. We would be very happy to cooperate with you in an attempt to conserve as much time as possible.

Mr. VINSON. Fine.

Mr. FASCELL. We appreciate your cooperation.

Mr. VINSON. Good. I enjoyed being here, Mr. Chairman.

Mr. FASCELL. The subcommittee will stand adjourned subject to the call of the Chair.

(Whereupon, at 3:50 p.m., the subcommittee was adjourned, to reconvene, subject to the call of the Chair.)

## THE FEDERAL EFFORT AGAINST ORGANIZED CRIME

---

THURSDAY, APRIL 13, 1967

HOUSE OF REPRESENTATIVES,  
LEGAL AND MONETARY AFFAIRS SUBCOMMITTEE  
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10 a.m., in room 2247, Rayburn Office Building, Hon. Dante B. Fascell (chairman of the subcommittee) presiding.

Present: Representatives Dante B. Fascell, Cornelius E. Gallagher, Fernand J. St Germain, Jack Edwards, Guy Vander Jagt, and William O. Cowger.

Also present: M. Joseph Matan, staff administrator; Charles Rothenberg, counsel; Millicent Y. Myers, clerk; and William H. Copenhaver, minority counsel.

Mr. FASCELL. The subcommittee will come to order, please.

On last Wednesday we started these hearings on the Federal Government's effort and capability to deal with organized crime. As I pointed out at that time, this subcommittee intends to fulfill its obligation to examine and evaluate the efficiency and economy with which the prosecutive, investigative, and law-enforcement activities of the Federal Government are operated, with particular reference to the Department of Justice and the Treasury Department. Those Departments contain many of the agencies that have responsibilities in the organized crime areas.

At that hearing Assistant Attorney General Fred M. Vinson, Jr., who is in charge of the Criminal Division of the Department of Justice, was the first witness. He was accompanied by Henry Petersen, who heads the Criminal Division's Organized Crime and Racketeering Section. In Mr. Vinson's opening statement he traced the interest and activities of the Department of Justice with regard to organized crime, chiefly from the time of the Wickersham Commission report in 1931, through the Kefauver committee investigations, in the late 1940's, down to the present time.

We expect to obtain for the record specifics concerning the Federal Government's right against this enemy in our society. We want to explore our capabilities and potentials in that fight. We want to know more about the Organized Crime and Racketeering Section, its methods, accomplishments and philosophy of operation; its relationships with other Federal, State, and local law-enforcement units; and its problems. The whole inquiry is directed toward maximizing the Government's effectiveness to combat organized crime.

We are very pleased, Mr. Attorney General, that you have agreed to come back with Mr. Petersen to give us an opportunity to ask some



questions and pursue this matter further. I know with your busy schedule it is extremely difficult. But we are grateful for your cooperation and contribution to the efforts of this committee.

Now, if you haven't any additional remarks you would like to make at this time, I would be very happy to receive them for the record.

**STATEMENT OF FRED M. VINSON, JR., ASSISTANT ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF JUSTICE, ACCOMPANIED BY HENRY PETERSEN, CHIEF, ORGANIZED CRIME AND RACKETEERING SECTION**

Mr. VINSON. Fine, Mr. Chairman.

Before getting into that, I thought I might hand to you and counsel two documents which you may or may not wish to place in the record. The first is a listing of all the significant statutes administered by the Organized Crime Section of the Criminal Division.

Mr. FASCELL. We would be very happy to receive that for the record, Mr. Vinson.

(The documents referred to follow:)

**STATUTES ADMINISTERED BY THE ORGANIZED CRIME AND RACKETEERING SECTION**

Anti-Racketeering Act, 18 U.S.C. 1951.

Crimes on or over high seas, 18 U.S.C. 1081-1083 (gambling).

Customs violations involving liquor and narcotics matters.

Excise on wagers, 26 U.S.C. 4401-4405.

Explosives, 18 U.S.C. 1837 (destruction of real or personal property growing out of labor dispute. All other violations of section assigned to Civil Rights Division).

**Gambling:**

15 U.S.C. 1171-1176.

18 U.S.C. 1081-1083 (Gambling Ship Act).

18 U.S.C. 1084 (transmission of gambling information).

Interstate and foreign travel or transportation in aid of racketeering, 18 U.S.C. 1952.

Labor-Management Relations Act of 1947, 29 U.S.C. 159 (e), (g), 162, 186.

Labor-Management Reporting and Disclosure Act of 1959, 29 U.S.C. 429-453 (all criminal sections of act except those involving members of the Communist Party referred to in sec. 504 of act which are assigned to Internal Security Division).

**Liquor violations:**

**Indian liquor laws:**

18 U.S.C. 1154 (introduction, sale, etc., of intoxicating liquor in Indian country) et seq.

18 U.S.C. 1155 (punishment for sale, etc., of liquors in former Indian territory; repeal as to part of Oklahoma).

**Internal Revenue liquor laws:**

26 U.S.C. 5001-5693, et al.

18 U.S.C. 3045 (warrants of arrest for violations of Internal Revenue laws).

**Lotteries, et seq.:**

18 U.S.C. 1301 (importing and transporting lottery tickets).

18 U.S.C. 1953 (interstate transportation of wagering paraphernalia).

**Narcotics violations:**

18 U.S.C. 1401 (definitions) et seq.

18 U.S.C. 3616 (use by narcotic agents of vehicles forfeited under Internal Revenue Laws and Contraband Act).

21 U.S.C. 171-185 (Import-Export Acts).

21 U.S.C. 184a (bringing narcotics on board U.S. vessel).

21 U.S.C. 188 et seq. (Opium Poppy Seed Act).

505 (restrictions on the manufacture of narcotic drugs).

515 (penal provisions).

26 U.S.C. 4701-4736; 4711-4776; 7237 (Harrison Narcotic Act).

26 U.S.C. 4711-4715 ; 7238 (Smoking Opium Manufacturing Act).  
26 U.S.C. 4741-4762 ; 7237 (marihuana).  
Occupational tax, coin operated devices, 26 U.S.C. 4461-4463.  
Occupational tax, wagering, 26 U.S.C. 4411-4414, 4421-4423.  
Perjury, 18 U.S.C. 1621 (perjury before congressional committee).  
Racketeering:  
18 U.S.C. 1951 (Antiracketeering Act).  
18 U.S.C. 1952 (interstate and foreign travel or transportation in aid of racketeering).  
18 U.S.C. 1953 (interstate transportation of wagering paraphernalia).  
Slot Machine Act, 15 U.S.C. 1171-1176.  
Strikebreakers, transporting, 18 U.S.C. 1231.  
Taft-Hartley Act, 29 U.S.C. 159 (e), (g), 162, 186.  
Wagers:  
18 U.S.C. 1084 (transmission of wagering information).  
18 U.S.C. 1953 (interstate transportation of wagering paraphernalia).  
26 U.S.C. 4401-4405 (excise on wagers).  
26 U.S.C. 4411-4414 ; 4421-4423 (occupational tax).  
Welfare and Pension Plans Disclosure Act, 29 U.S.C. 302 et seq.

Mr. VINSON. You also indicated an interest in the form of memorandums of understanding between investigative agents—and I have one here that I am sure counsel would be interested in. It is the memorandum of understanding between the Department and the Department of Labor.

Mr. FASCELL. We would be very happy to receive that for the record.

(The document referred to follows:)

MEMORANDUM OF UNDERSTANDING BETWEEN THE DEPARTMENTS OF JUSTICE AND LABOR RELATING TO THE INVESTIGATION AND PROSECUTION OF CRIMES AND CIVIL ENFORCEMENT ACTIONS UNDER THE LABOR-MANAGEMENT REPORTING AND DISCLOSURE ACT OF 1959 (PUBLIC LAW 86-257)

Whereas the Labor-Management Reporting and Disclosure Act of 1959 (Public Law 86-257, 73 Stat. 519) imposes certain duties and responsibilities upon the Attorney General and Secretary of Labor with regard to prosecution of crimes arising under the act and civil enforcement actions under the act; and

Whereas that act, in section 601, imposes upon the Secretary of Labor the responsibility for conducting investigations of persons who have violated, or are about to violate, any provision of the act (except title I, or amendments made by this act to other statutes); and

Whereas that act, in section 607 provides that the Secretary of Labor may make interagency agreements which may help to avoid unnecessary expense and duplication of functions among Government agencies and insure cooperation and mutual assistance in the performance of functions under the act; and

Whereas it is desirable and essential that the areas of responsibility and the procedure in connection with the investigations, prosecutions of offenses and civil enforcement actions arising under the act should be the subject of formal agreement between the Departments;

It is hereby agreed and understood between the Department of Justice and the Department of Labor as follows:

1. *Criminal prosecutions.*—All cases involving violation of the criminal provisions of the act will be prosecuted by the Department of Justice. Those cases investigated by the Department of Labor, hereinafter detailed, will be referred to the Criminal Division, Department of Justice, as provided in section 607.

2. *Investigations of matters made criminal by the act.*—Subject to specific arrangements agreed upon by the Department of Justice and the Department of Labor on a case-by-case basis, investigation under the act will be conducted as follows:

(a) The Department of Labor will, through its own staff, investigate those criminal matters arising under:

1. Title II (reporting by labor organizations, officers, and employees of labor organizations, and employers).

2. Title III (trusteeship).

3. Section 502 (bonding) of title V.

4. Section 503(a) (making of loans by labor organizations to officers and employees of the labor organization) of title V.
5. That part of section 503(b) of title V which relates to the payment of a fine of a labor official or employee by a labor union.
- (b) The Department of Justice will, under delegation from the Secretary of Labor, investigate those criminal matters arising under:
  1. Section 501(c) (embezzlement of union funds) of title V.
  2. That part of section 503(b) of title V which refers to a payment of a fine of a labor official or employee by an employer.
  3. Section 504 (prohibition against certain persons from holding office) of title V.
  4. Section 505 (containing an amendment to sec. 302, Labor Management Relations Act of 1947, as amended) of title V.
  5. Section 602 (extortionate picketing) of title VI.
  6. Section 610 (deprivation of rights by force and violence) of title VI.
3. *Notification.*—Whenever either Department learns or is informed of any matter coming within the investigative jurisdiction of the other Department, as set forth above, it will notify such other Department in writing and furnish all information in its possession regarding the matter.
4. *Exercise of other functions.*—Exercise of delegated investigative authority by the Department of Justice pursuant to this agreement shall not preclude the Department of Labor from making inquiries for the purpose of administrative action related to the crime being investigated. Nothing in this memorandum of understanding shall be construed to affect the investigative jurisdiction of the Department of Justice under other statutes.
5. *Prosecution of civil enforcement actions.*—Any violations of the act which form the basis for civil enforcement actions will be investigated by the Department of Labor. Whenever the Department of Labor concludes that a civil enforcement action should be instituted, it will refer the case to the Department of Justice, with the request that suit be instituted on behalf of the Secretary of Labor, and will furnish the Department of Justice with all pertinent information in the possession of the Department of Labor. Upon receipt of such request, the Department of Justice will institute and will conduct the civil enforcement action on behalf of the Secretary of Labor. The Department of Justice will not institute any civil enforcement action under the act except upon the request of the Department of Labor, nor will the Department of Justice voluntarily dismiss any action so instituted except with the concurrence of the Department of Labor. The Department of Justice will dismiss any action so instituted upon the request of the Department of Labor. Department of Justice attorneys will collaborate with the attorneys of the Office of the Solicitor of the Department of Labor in the preparation and, to the extent feasible, in the presentation of such actions in court.
6. *Parole board proceedings.*—The investigation and presentation of issues concerning the appropriateness of a grant of a certificate under section 504(a) to an individual by the board of parole will be the responsibility of the Department of Labor, including appearances before the Board of Parole.
7. *Instructions.*—So that the terms of understanding will be effectively performed both Departments will issue instructions for the guidance of its officers, such instructions to be submitted for comment prior to their issuance to the other Department.
8. Periodic reviews of this agreement will be made to determine any adjustments which seem necessary based on experience under this act.

Approved.

WILLIAM P. ROGERS,  
Attorney General.  
JAMES P. MITCHELL,  
Secretary of Labor.

FEBRUARY 16, 1960.

Mr. EDWARDS. On that point—is this what you would call a typical memorandum of understanding that would be entered into between your agency and other agencies?

Mr. VINSON. No, sir; I would not call it typical. Our more typical arrangement, between our Organized Crime Section and other agencies, is much less formal than this. This is the sort of arrangement

that we enter into, or that we negotiate between agencies where there is a definite overlap of function, and that does not occur too much.

Mr. EDWARDS. Thank you.

Mr. VINSON. There were two matters that I thought would be well to clear up. I reviewed the transcript of last week's session. I will have it in Mr. Matan's hands later today.

One question you asked I tried to answer in very general, broad terms. You asked how do you work, what do you do?

I think it might be helpful if we would respond to that question in much more specific terms, using a concrete example as illustrative of our general pattern of operation.

There was a time in the past when we became interested in a given metropolitan area. We assigned several lawyers to that area. They spent almost 3 months becoming most familiar with the criminal activity in this particular metropolitan center.

They then went to this city—Mr. Petersen, myself, and our attorneys assigned there—and met with the representatives of each of the investigative agencies. We told them the problems as we saw them, and we solicited their suggestions as to approach, a programmatic approach to the whole scope of the problems in this particular city.

As a result of that meeting, we then allocated responsibilities between the agencies. For instance, we found in this city there were three gambling—three distinct gambling operations, one of which was Cosa Nostra controlled exclusively. The other two had connections with Cosa Nostra.

We requested in this particular case that the FBI concentrate its forces upon the larger gambling syndicate, which was Cosa Nostra controlled. We requested IRS to concentrate their investigative efforts upon the other two smaller operations.

We also, in this particular case, had substantial allegations of corruption, close relationships between some of the racketeering fraternity and local public officials and police officials.

In this respect, we gathered the information and suggested that IRS might conduct tax audits of those public officials who were alleged to be in cahoots with either the Italian gambling syndicate or the two other gambling syndicates who had no—they were not ethnic groups.

We also had substantial allegations with respect to labor racketeering. There were in this particular city indications of tie-ups between racketeers and about two locals.

Mr. FASCELL. You mean labor union locals?

Mr. VINSON. Yes. We requested an investigation by the Department of Labor of those particular locals.

We requested that IRS—well, first we isolated those whom we considered to be the 70 top hoodlums in this particular metropolitan region. We requested IRS audits of that group.

Following the launching of this program in this area, our attorneys meet weekly with representatives of the investigative agencies. They assist in such matters as obtaining of search warrants. And we find generally that at some point in an investigation, grand jury inquiry is either very helpful or an absolute necessity. And our attorneys conduct such inquiries.

That is one small slice of our activities, and is fairly typical of the way we operate.

Mr. FASCELL. Now were all of these decisions in this example made in the field?

Mr. VINSON. No, sir.

Mr. FASCELL. Direction came out of the OCS?

Mr. VINSON. Yes, sir. But the attorneys assigned to this project probably averaged 3 days a week in the field.

Mr. FASCELL. But direction in this particular case came out of the central office, the Organized Crime Section?

Mr. VINSON. Yes, sir.

Mr. FASCELL. And decisions or requests for cooperation, investigative and otherwise, came directly out of that office?

Mr. PETERSEN. I should make it clear—when Mr. Vinson and I go to these cities, what we are presenting is a tentative plan that has been worked out by our attorneys in conjunction with the investigators in the field. And the purpose of our visits is to formalize and to iron out any difficulties that may exist, and agree upon a definite program, a definite approach, so that each agency will have its responsibilities laid out for it. The ultimate decisions are really made by Mr. Vinson when we make these field trips.

Mr. VINSON. There is one other thing that I perhaps should emphasize. There is a great feedback from the investigative agencies themselves. I mean they are by and large very—most of the people they assign to the organized crime area are experienced in that sort of work, and they develop leads. And so it is a cooperative venture.

One other matter that I noticed in going through the transcript did not register with the emphasis that I think it deserves, and that is the tremendous significance of gambling to the organized crime groups. I think the Crime Commission report indicated that there are estimates of gross illegal wagering in this country ranging from \$7 billion to \$50 billion.

I think a very conservative estimate is possibly \$20 billion.

According to our best information—of course, the gross profit varies between racetrack betting, numbers, and so forth, but a good working figure for gross profit is probably one-third.

So take a conservative estimate of \$20 billion, and take a conservative percentage for gross profit, and you have in the hands of these people at least \$6 billion. And that really is their bank roll. That money can be used for any purpose they see fit. It can be used for purposes of corruption. It can be used to bank roll shylocking operations. It can be used to bank roll narcotics operations. And we are confident that a substantial amount of that money of course goes out of the country, squirreled away in foreign areas.

Mr. FASCELL. Mr. Vinson, doesn't a lot of it wind up in normal legitimate business operations of the country?

Mr. VINSON. Yes, it certainly does. For instance, the city I had reference to previously—we know of at least 25 substantial businesses that we believe are controlled by these people.

Mr. FASCELL. Well, is that true all over the country?

Mr. VINSON. Yes, sir.

Mr. FASCELL. What kinds of businesses do they get into?

Mr. VINSON. Well, virtually any sort of business. I think they are probably heavy on service-type business—linen services, for instance. They have been known to have interests in security dealerships. They have been known to have interests in dairies. They own trucking con-

cerns. They own brokerage houses, brokerage in terms of selling supplies or food to retailers.

Mr. FASCELL. Is there any ascribable reason for the penchant for that type of business that you can discern? Is there some difficulty in tracing it?

Mr. VINSON. No—I am not so sure it is tracing.

There are two other areas that they are very active in—night club and tavern business and restaurant business. I sometimes think this is a sort of business where they like to have a home base, and they like to clean up some of their income. Assume a man has a hundred thousand dollars' income from an illegitimate enterprise. He obviously is going to have to show some source of income on his income tax return. I am confident that many of the taverns and restaurants that are run by these people are used to cleanse the money, so to speak.

Mr. FASCELL. Legitimatize the reporting of the income?

Mr. VINSON. Yes, to show a source of income. I think the chart that I showed you last year indicated that between the period of 1958 and 1963, I believe it was, that the racketeers were—I don't think they were earning any more money, or making any more money, but they were reporting almost 60 percent more income because of the emphasis on audit and tax investigation of known racketeers.

Mr. FASCELL. Then the main thrust of what you are telling us is that as far as organized crime is concerned, its heart and soul is gambling on a national level, all interstate, interlocked, and directed?

Mr. VINSON. Yes, sir. That is definitely and distinctly the source of the principal bank roll.

I would not say it is all interrelated, however. There are some open areas. And it operates differently in different cities.

For instance, in the city I referred to there is one distinct gambling operation that is Cosa Nostra owned, controlled, and run. This is a tight ethnic group. There are two other gambling operations in that same city that are not ethnic groups. They are connected. We are frankly not sure how they are connected. We don't know whether it is a question of tribute, maybe a 10-percent overriding royalty, so to speak, or not.

We do know in some cities—there is one major city in the country where the Cosa Nostra ran gambling; they owned it lock, stock, and barrel, until about 3 or 4 years ago. They concluded to get out of the business, and they did get out of the business. They are no longer actively operating the barbutte and numbers, and so forth. However, our information is that they do extract an overriding royalty, if you will, that approximates 10 percent of the gross in exchange for which they arbitrate territorial disputes, they furnish bondsmen, lawyers, et cetera.

Mr. FASCELL. Sounds kind of professional. You mean they have given up settling disputes the old-fashioned way?

Mr. VINSON. Well, their ultimate mediation decision has quite a few teeth in it, Mr. Chairman. They don't have the collection and enforcement problems that some of us have.

Mr. FASCELL. You mean they still do use the old-fashioned way on occasion?

Mr. VINSON. Yes, sir.

Mr. FASCELL. Just line them up and shoot them?

Mr. VINSON. Yes, sir. I actually believe they do it reluctantly these days, though, because I believe—

Mr. FASCELL. That is a new twist on crime.

Mr. VINSON. I believe they try to avoid the glare of publicity. We have a fairly apathetic public, particularly in the gambling area, and they are smart enough not to want to arouse the citizenry.

Mr. FASCELL. The FBI's jurisdiction in this investigative operation which you discussed—their total jurisdiction in organized crime is what, racketeering and gambling?

Mr. VINSON. Yes. They have several statutes that give them jurisdiction over gambling. The principal statute is probably interstate transportation in aid of racketeering, which is a fairly broad statute. It was passed, I believe, either late 1961 or early 1962.

Mr. FASCELL. I read a story the other day in the paper about intensive, shall I say, operations in the Chicago area with respect to the raids and the investigative assistance being given by the FBI, and the successful local operations and followup prosecutions in that case.

Now, is there something different going on there than is going on any place else?

Mr. VINSON. No, sir; I think that is a typical example of Federal and local cooperation. I think the reason that may have been singled out—the statistics were very well developed in that area.

Mr. FASCELL. That is what I understood. For example, over 1,200 persons there were arrested, and 340 have already been convicted. They had hundreds and hundreds of raids.

Now, that is an example, as I see it, of Federal cooperation at the local level to bring about local law enforcement, is that it?

Mr. VINSON. Yes, sir. That is what I like to think of as leveraging our efforts—which is a necessity, in my judgment.

Mr. FASCELL. The estimates, as I recall it, were that they disrupted operations there that ran into about \$18 million a month, and that evidently is just a part of the total "take" in that area. If that is indicative of what is going on in the major cities of the country, then the estimate you have given is probably on the conservative side.

Mr. VINSON. The estimates, as I said, run between \$7 and \$50 billion, and \$20 billion is probably a good, safe, conservative estimate, of gross illegal wagers in the country.

Mr. FASCELL. Now, as good a job as has been done in the Chicago area with respect to this gambling operation, the thing that interests me is, What direction, if any, did Mr. Petersen give this operation?

Mr. VINSON. That particular operation?

Mr. FASCELL. Yes. From August of 1963.

Mr. PETERSEN. I think the credit for that goes to the special agent in charge of the Chicago office of the Federal Bureau of Investigation. And I might say, incidentally, with respect to local cooperation, for the most part, local cooperation is effected by the investigative agencies on the scene. They are in a much better position to know what needs to be done. We cooperate with local authorities, State authorities generally on a specific basis. That is where we have a special need to go to them, or they have a special need to come to us.

Ordinarily, however, the liaison is effected by the narcotics agent in the field, or the FBI agent in the field, or the Customs agent, or Labor agent, as the case may be. The relationships are developed on those levels. Of course, we encourage them, and our own people are

in contact with the local prosecutors as the case may be. But basically the credit for that operation goes to the special agent in charge of the FBI office in Chicago.

Mr. FASCELL. I am of course very willing to concur in placing that credit. But what you say disturbs me, because I don't see where the direction comes out of your office.

Knowing that gambling is a national syndicated operation, with tentacles all over, it is fine for the agent in charge of an investigative agency to lead the fight, so to speak, with respect to providing law enforcement in a given area. But, except indirectly, how does that tie in with what you are trying to do—if you have an overall plan of operation. It looks to me as if the tail is wagging the dog, instead of vice versa.

Mr. PETERSEN. Well, I don't think that is so.

First of all, we deal with very special needs. May I refer for a moment to a current investigation—I will let the city and the principals go unnamed. But involved in this gambling operation, which is interstate in character, is the police force of the city involved.

Mr. FASCELL. The point is, who makes a policy decision, like "We are going to bear down on gambling in Chicago today"—or wherever it is, an overall integrated effort against organized crime?

Mr. PETERSEN. Those decisions are made here. I should point out the program has two facets. One, if you like, a special investigation, such as the program Mr. Vinson has lined out here. The second is an attempt on our part to generate better law enforcement and along the line with respect to those statutes in which the organization is generally involved.

That means stepped-up gambling enforcement by the Federal agencies, stepped-up narcotics enforcement. It also means stepped-up enforcement on the part of the State, where we can prevail upon them to do so, or where they have the facilities and the manpower to devote to it.

Mr. VINSON. If I may make one other thing clear, Mr. Chairman. The cooperation of the sort you referred to—hard information that would enable a local police force to seek a search warrant, for instance—is customarily done in our business on the investigative level, investigator to investigator, and not prosecutor to prosecutor.

But as far as emphasis on gambling in the national picture, we have a distinct emphasis on that in every major city in the country.

Mr. FASCELL. I am sure you do. And I definitely got that understanding from your testimony. But I wasn't quite clear about how this investigative assistance to local law enforcement effort is related to the policy decisions which are made by the Organized Crime Section. That is the thing that I am not clear on yet—when it starts and when it stops. Because it sounds to me as if you have the Federal Bureau of Investigation, for instance, doing its job and carrying out its responsibility—which it does extremely well—but doing it as the Bureau. And, because of its investigative emphasis in a particular area, or with respect to a particular problem, it then, in effect, makes a policy decision which actually ought to emanate out of the Organized Crime Section.

Mr. VINSON. That isn't a limited policy decision. That is a way of life.



Mr. FASCELL. In other words, this is a standard operating procedure that goes on all the time?

Mr. VINSON. Absolutely.

Mr. FASCELL. I don't know that I like that, from a management standpoint. I like it from a law enforcement standpoint.

Mr. PETERSEN. May I add something? Again, when we make these trips in the field, in most every jurisdiction to which we have gone we have met with the local law enforcement people, and present at most of these meetings were the Federal enforcement. And policy decisions were made there with respect to improving cooperation in a specific area of organized crime. That is not to say that cooperation and coordination did not exist on an agent-to-agent level before that period. But for example in one city we have made arrangements for the FBI to brief selected members of the State and local police on the organized crime program, the people of importance in their respective areas, so that they would be familiar with the problem, be able to assist us, and we to assist them.

But the basic day-to-day operation, interchange of information with respect to ongoing violations of the law by force has to be done almost immediately from the agent—from the SAC to the police officer concerned, so they can take prompt action on it.

I am afraid oftentimes if it had to come back to Washington before that cooperation could be effected, we would be there with too little and too late.

Mr. FASCELL. I agree with that. I would not argue that part of it at all, from the standpoint of effective operation.

Mr. COWGER. Mr. Vinson, being a former mayor of a large city I was interested in your remarks concerning the involvement of local officials in organized crime. Would you expand that statement, and tell about any specifics of involvement of public officials or law local enforcement agencies?

Mr. VINSON. I suppose I could best illustrate that by example.

There have been cases within the last 3 years—well, one very recently. It was not organized crime per se. However, it grew out of a massive grand jury inquiry into organized crime in a particular area. It resulted in the indictment of a mayor and president of a city council for bribery.

In another area, about 3 years ago, the department found that a mayor, chief of police, and the leading gambler, the man who controlled gambling in this particular area, were—had a close working relationship. All were indicted and ultimately convicted.

In another area we found that the city commissioner was in collusion with a large number of—in this case it was moonshiners and gamblers—to afford protection in this particular county—which resulted in indictment.

Mr. COWGER. How common is this, Mr. Vinson?

Mr. VINSON. Police, fairly common, Mr. Congressman. The political officials directly involved I would say not as common. It is really subtle.

Mr. COWGER. What prompts your coming into a community to investigate any collusion between the public officials, police officers, and organized crime?

Mr. VINSON. Ordinarily it is the result of intelligence information that causes us to interest ourselves. On occasion, as in the first example

that I recited to you, it is something that you just stumble into as a part of a much larger investigation.

Mr. COWGER. Why would you go into some cities and not others? You spoke of one particular example. Why wouldn't you go into other cities? Almost all cities, I would assume—it would be my assumption there is some involvement of organized crime perhaps in every city in America. Is this a true statement?

Mr. VINSON. As the Crime Commission made clear—where organized crime flourishes, you can be assured there is some corruption. I think that is really the pervasive danger of organized crime. That is, its effect on law enforcement and the local power structure.

Mr. COWGER. Thank you, Mr. Chairman.

Mr. FASCELL. Mr. St Germain?

Mr. ST GERMAIN. You say you cooperate with local police officials. But don't you find that by and large throughout the country, that our communities are having difficulties recruiting and keeping on their staffs competent police officials, and that one of the main reasons that the communities either are unable to or don't see fit to pay their personnel, their police personnel, their law enforcement personnel, as well as they should be paid?

Mr. VINSON. I think you have put your finger on the real heart of the problem.

Right now there are about 50,000 vacancies in police forces all over the country. The average patrolman in the large city—and that is where most of our problems are—the average patrolman has a starting pay of about \$5,300 a year. Worse than that, however, is the fact that there is not much pay incentive to stay on a police force.

The average city will pay a patrolman about \$1,000 more per year than that \$5,300 after he has been on the force some 15 to 20 years, assuming he has not risen to a supervisory position.

The other problem is one of fragmentation. There are over 40,000 law enforcement agencies in the country. Their jurisdictions are overlapping in some respects, there are gaps in other respects. Because of this fragmentation, you have a substantial number of very small police forces, and a small police force, I think, just cannot be operated efficiently. They don't have the resources to train—if you have a 25-, 50-man police force. They cannot go into retirement systems, for instance, that would attract and hold qualified people.

Mr. ST GERMAIN. And isn't their work rather discouraging to them in many instances? I had an odd thing—we are faced now with a problem where the postal employees all feel they are being underpaid, and they have justification for their feelings, so they are coming before the Congress asking for increases in salaries. And yet I recently had a police officer come into my office locally, at home, and asked me what procedure he should follow in order to get a job with the Post Office Department.

His comment was—No. 1, he was being underpaid, he felt. And he is an educated, intelligent young man. He felt he was being underpaid. And in addition to that he said—it is not a very pleasant life when you have a couple of thugs beat up on you, and when they get to court, they—they put you in the hospital a few days, and they get to court, and end up with a \$15 fine. So I think perhaps that is another discouraging feature. Not only the fact that the pay is low, but sec-

only that they feel they are not being backed up, so to speak, by the courts.

Mr. VINSON. A serious problem of morale.

Mr. St GERMAIN. Going back to the point that you brought up on the small police forces, wouldn't we be wise, if it could be done—I realize fully the problem in that all municipalities and townships very jealously guard their individuality—but by the same token, as you say, your one-, two-, and three-man forces in so many little communities—wouldn't we be in essence a whole lot more efficient if we could devise a system wherein the police forces would be statewide—in other words State police forces with barracks in each and every community to cover those communities?

Mr. VINSON. There would be many advantages to such a situation. You can start even smaller than that, however. Los Angeles County is a good example. They have a sheriff's office. They are well trained, well paid. They have contractual arrangements with dozens and dozens of communities in the Greater Los Angeles area to furnish police protection to those communities.

The Crime Commission sees as one of the hopes this pooling or consolidation or contractual arrangement for police forces.

Of course, you have problems—and I suppose they are basically political problems, with police forces and consolidation.

Everybody likes to have their own police force. Yet I meet at every opportunity I have with mayors and city managers to preach this doctrine. I met about 30 of them last Saturday. An interesting problem they raised—they said—Mr. Vinson, you have convinced us that it would be desirable to raise police pay, but what do we do with the firemen?

Historically, firemen are paid on the same scales as policemen. They have always been treated the same. I am not sure that is justified, but it is a historical fact.

Mr. St GERMAIN. I am wondering—in your testimony you mentioned—you divided crime into the organized crime, and then you mentioned the crimes against the person and the property—in other words, burglary, assault and battery, and what-have-you, murder, kidnaping.

Do we have any statistics available to us that would indicate to us what the success is of our local constabularies, our local police forces, in the apprehension and indictment of—successful prosecution of individuals committing these crimes against the person, as part of what is known as organized crime? That is, statistics which say out of every 1,000 crimes committed, a number of convictions or indictments are returned.

Mr. VINSON. I have seen studies that indicate that the arrest rate, for instance, is about 25 percent of reported crimes.

Mr. St GERMAIN. My feeling is that we are not doing well at all in this area. And I would say that 25 percent is not a good average.

Mr. VINSON. I would agree. Of course, the conviction rate, where you count in guilty pleas, is very high, ranging between 80 and 90 percent probably. But the 25 percent rate is disturbing.

Mr. St GERMAIN. Thank you.

Mr. EDWARDS. Do you mean 80- to 90-percent conviction of the 25 percent arrested? Is that what you are saying?

Mr. VINSON. Yes, sir.

Mr. EDWARDS. So once you catch them you have a pretty good conviction rate. But finding them is the problem.

Mr. VINSON. That is correct. And also another fact that the Crime Commission developed is that there is probably almost twice as much crime committed as is reported.

Mr. FASCELL. Also the finding was that there was a great reluctance to even report the crimes, so that you have no real basis of knowing the extent of the problem.

Mr. VINSON. That is correct.

Mr. FASCELL. So the figures have to be considered both from the standpoint of enforcement efforts such as indictments and convictions, and against a fluid base which none of us know the exact nature of, except that we have an idea it is extremely large. Is that about right?

Mr. VINSON. That is right.

Mr. FASCELL. You discussed the infiltration of organized crime into all levels of economic society in this country, and at the local level with public officials, and so forth. Is there any evidence that organized crime has infiltrated State governments, through State public officials, and the Federal Government, through Federal Government officials and Federal agencies, including investigative agencies?

Mr. VINSON. I have no knowledge of infiltration of Federal agencies. Very occasionally information comes to our attention with respect to State and local agencies.

Mr. FASCELL. How would you compare that against the assessment which you gave us about local public officials?

Mr. VINSON. I am not sure I understand that question, sir.

Mr. FASCELL. I am trying to get some order of the magnitude with respect to corruption by organized crime or otherwise of public officials, local government, State government, and Federal Government.

As I understand your testimony so far, you have no knowledge of any infiltration by organized crime into Federal Government or its agencies, but there is some at the State level, and considerably more at the local level.

Mr. VINSON. Yes, sir.

Mr. FASCELL. Is that a fair restatement?

Mr. VINSON. Yes, I think so.

You see, I don't believe that a large gambling operation, for instance, can exist without some knowledge at the local level. And this gets back to one of my comments last week—by and large we are dealing with consensual crimes—gambling, narcotics, shylocking. And the public is not concerned particularly about gambling, illegal gambling, bookies, numbers operations. And I think that apathy is reflected in police operations locally.

Mr. FASCELL. I asked you about direct infiltration. How about corruptive influence of organized crime in the Federal Government. Is there any that you know of?

Mr. VINSON. None that I know of, Mr. Chairman.

Mr. ST GERMAIN. Mr. Chairman—

Mr. FASCELL. Mr. St Germain?

Mr. ST GERMAIN. Getting back to the line of questioning that I was about—the percentage of convictions, et cetera, as against the number of crimes committed—it seems to me it would be a very fair and accurate statement to say that we cannot—not only can we not be proud

of our accomplishments in this area, but we should be rather ashamed of the fact that we are doing so poorly in this area of apprehension of criminals, and that much of this, it seems to me, stems from the fact that we do not have efficient organizations for crime prevention, and apprehension of criminals within our local communities.

So that going one step further, referring back to your original testimony, it must make your work rather difficult where you feel that you should be able to rely on local enforcement agencies for support and cooperation—it must be rather difficult when you have so many local communities whose police agencies or police departments are exceptionally inefficient.

Mr. VINSON. Well, I think there is a great deal of truth in that. However, I think I should make clear here that this is not a universal indictment of police forces. There are some excellent police forces in some of our metropolitan areas, and even in those areas where we find corruption, there are some outstanding policemen.

I think most of our major cities now have what they call central inspection or integrity units that are responsive to the top brass on the police force. This wasn't always true.

Mr. ST GERMAIN. Would it be fair to state that in our larger cities we have the more efficient forces that you refer to. Once you get into the smaller communities and the smaller cities, this is where we hit our problem, because the citizens themselves are not willing to pay them?

Mr. VINSON. I think that is generally true. And I think the whole system of criminal justice has a built-in conservatism, a built-in resistance to change. And it is my judgment that we desperately need change in our police, in our courts, in our correctional systems.

At the national convention on crime, just 2 weeks ago, Superintendent Wilson of the Chicago Police force, in charge of the Chicago Police force, who is an outstanding policeman, they have a very excellent operation—he made the statement that he thinks that police people are more resistant to change than any other group in the country.

Following on the heels of that statement, Dr. Magee, who is head of the correctional system in California, testified, and he said, "I disagree with the superintendent, I think correctional people are more resistant to change than any other group." And shortly after that the Attorney General made a speech, and he said he heard two things said that morning that he violently disagreed with. He said he was convinced that lawyers were more resistant to change than any other group.

There is a great deal of truth in all three statements.

Mr. ST GERMAIN. In Chicago—I think I read recently where they start their patrolmen at \$10,000 a year. Is that right?

Mr. VINSON. I am not sure, Mr. Congressman. That sounds a little high.

Mr. ST GERMAIN. I think I am accurate on this figure, because it was brought to me by some postal people, comparing their pay. But there, as you mention, we have Wilson, who is in charge of public safety in Chicago, you have a large city, well organized, and they are paying their personnel properly.

Mr. VINSON. There are all sorts of problems involved. I adverted to the problem of the firemen. I saw two stories in the Washington paper yesterday. One was a proposal to raise the pay of policemen I

think from \$6,700 to perhaps \$7,200, starting pay. And on the same page there was a story that the Montgomery County, Md., County Council or Board of Education had voted to raise the teachers' pay in Montgomery County only \$180 instead of \$200, which would give them a starting pay of \$5,880.

So there are all sorts of value relationships involved. It is not a simple matter.

Mr. FASCELL. Mr. Vinson, you have told us that organized crime in one way or another has infiltrated its way into business activity and labor unions.

Is there any evidence that organized crime has infiltrated any of the sports of the country, either amateur or professional?

Mr. VINSON. Well, I think we are all aware of the cases that Federal and State governments have made in the past few years about shaving points in various sports. The most recent one I guess was Louisiana. Prior to that I believe we convicted two people on the west coast a year ago, in Seattle, involved with point shaving conspiracies. That seems to be a cyclical thing.

Mr. FASCELL. Are these independent acts, or are they part of an organized effort?

Mr. VINSON. I believe they are part of an organized effort. I think there are a lot of people in the know, so to speak. The bookies in this country are a pretty close fraternity.

Mr. FASCELL. And there is some evidence and justification to think that the effort is a kind of semidirected national effort?

Mr. VINSON. I believe so.

Mr. FASCELL. You have described the principal areas, generally, as I understand it, in which organized crime operates in major metropolitan areas of the country, for example, with not so much in the smaller cities of the country, although its corrupting influence could be felt or is felt in smaller communities.

Mr. VINSON. It is felt—particularly in those communities that are reasonably near your large metropolitan centers.

You might be interested in a search warrant and arrest warrants executed by us in one medium-sized city several months ago. One of the documents that was seized at that time was a piece of paper showing this particular gambler's monthly expenses. And his monthly expenses included—I beg your pardon—weekly expenses. His weekly expenses included one item that said "Ice, \$300." Ice is jargon for protection.

Another item was to a fellow—call him Tom S—that is the way he was referred to—\$500. And we have reason to believe this fellow referred to was a member of a Cosa Nostra family in one of the large cities about 100 to 150 miles away.

Mr. FASCELL. Now, in this overall national operation—are there certain areas of the country, metropolitan or otherwise—which seem to be focal points or headquarters for the direction of a particular type of effort, and are they identifiable, and would you identify them?

Mr. VINSON. Well, I don't know that I would say that they are identifiable with a particular narrow sort of effort.

Mr. FASCELL. Well, generally?

Mr. VINSON. However, if you take the greater New York area, the judicial districts of southern New York and eastern New York, and

northern New Jersey, and Chicago—that is about 80 percent of the hardcore Cosa Nostra crowd.

Mr. FASCELL. How about Miami, Fla., for example? Is that an operational area, or nonoperational area?

Mr. VINSON. We don't believe that it is operational in the sense I think you mean. There is a great deal of illegal gambling in the Miami area. But we believe that it is sort of open territory, that there is no operating Cosa Nostra apparatus in Miami.

Mr. FASCELL. Does that state of facts exist anywhere else?

Mr. VINSON. Las Vegas.

Mr. FASCELL. How about in California; is there any so-called "open area" in California?

Mr. VINSON. Yes; I think the same situation exists in southern California. There is no identifiable apparatus headquartered there. Maybe it is because of the good weather, Mr. Chairman.

Mr. FASCELL. How about Arizona, New Mexico, Texas, and areas of that kind?

Mr. VINSON. Arizona, we have identified some operations. The other States you mentioned, not as such. Most of the activity, once we get out of the large urban areas of the North, the Midwest, and the East are largely large-scale gambling operations that are tied in nationally to other interests.

Mr. FASCELL. In the Crime Commission report—Mr. Edwards, you have your finger right on that page. Why don't you ask the question?

Mr. EDWARDS. Well, we were just looking at the Crime Commission report. I notice Florida is listed as one of the States in which organized crime group members both reside and operate. I am looking at page 192 of the Crime Commission report. Also Texas, Louisiana, California, Nevada, Illinois, Missouri, Rhode Island, New Jersey, and Colorado.

What is going on out in Colorado?

Mr. VINSON. There is an identifiable Cosa Nostra group in one part of Colorado.

Mr. EDWARDS. These are where the 24 Cosa Nostra families are generally located, in these areas?

Mr. VINSON. In the areas shaded on the map. However, the 24 families that are mentioned by the Crime Commission might be reduced to somewhere between 10 and 16, with the others as subgroups.

Mr. EDWARDS. You placed about 80 percent of that in the general area of New York City?

Mr. VINSON. And Chicago, and northern New Jersey.

Mr. EDWARDS. I have led a rather sheltered life growing up. I don't know too much about bookies and this sort of thing. But let's take what I assume would be a typical example. A small town, we will say, in the South, where the local pool hall operator makes a little book on the side. People drop by and get cards, and play the football pools, or perhaps bet on races. This by and large, if I understand what you are saying, would be something that the local police department ought to concern itself with, and put these folks out of business.

You don't, as part of your organization, dip that far down into this sort of thing, do you?

Mr. VINSON. No, sir.

Mr. EDWARDS. My friends tell me that pool hall operator might make a phone call to a larger city in the general area, where he lays off his bets, or whatever he does—perhaps a regional headquarters of sorts. Do you get into that phase of it?

Mr. VINSON. Yes, sir, we do. He does two things, actually. He does one thing before the act, and one thing after the act, possibly. He will get what is called the line, from some expert who will tell him that the proper odds are three points, or what have you, or that the proper odds on a horse are thus and so. And he pays for that service. And the people furnishing him those services we are very interested in, because we believe they are closely tied into organized crime.

Second, the man to whom he lays off we are interested in. We feel that we should concern ourselves with what you might consider the wholesaler.

Mr. EDWARDS. The wholesaler being in effect the regional headquarters?

Mr. VINSON. You might think of it that way. It is not quite that geographical.

Mr. EDWARDS. Then is there also ultimately some central point, say Chicago or New York, for example, where all of this comes to rest at some point or another, where there is general supervision and control?

Mr. VINSON. It is a little looser than that, we feel, Mr. Congressman. We feel that there may be a dozen people who are loosely associated.

Mr. ST GERMAIN. Would the gentleman yield at that point?

Mr. EDWARDS. Yes.

Mr. ST GERMAIN. Well, in essence, aren't the people themselves—John Jones, who goes into the pool hall, for instance, on a weekly basis, and plays the football pool, and on a Saturday will bet on half a dozen races with the local bookie, who though he operates on a small scale—nonetheless it is the myriad of local bookies combining these services whose funds are actually supporting the large-scale operation and the large-scale control. Is that not a fact?

Mr. VINSON. No question about it.

Mr. ST GERMAIN. The people themselves—it would seem to me they feel it is an innocent little thing playing the football pool on a weekly basis. But each of their \$1 and \$2 bills are going into that fund, that eventually, when added up, is financing the operations and giving these people the moneys they need to buy the protection they are getting.

Mr. VINSON. That is correct.

Mr. ST GERMAIN. If the gentleman would yield for just one more point.

In the Boston area for the past 2 years—probably you people are aware of this—the count now is up to about 32 of gangland murders.

Mr. VINSON. I think it is in the 40's.

Mr. ST GERMAIN. To the best of my knowledge, I don't think we have had one conviction, have we?

Mr. VINSON. There have been convictions. But whether they have been for murder, I am not sure.

Mr. ST GERMAIN. Not on these murders, no.

Mr. VINSON. There have been a lot of people that we thought committed the murders that were in turn murdered.



Mr. ST GERMAIN. So that this is really a dramatic example of how rampant crime is, and how utterly brazen organized crime is—just take lives one after another, over this period of 2 years now.

Mr. VINSON. Those are largely Irish and Anglo-Saxon groups up there.

Mr. FASCELL. I am sure that before we get through we will get around to everybody.

Mr. ST GERMAIN. There has been no French at all.

Mr. FASCELL. Mr. Edwards?

Mr. EDWARDS. Let's get back, if we may, to the overall operation of your department.

Now, what special training do your lawyers have? You referred frequently to the lawyers in your section who go to a city or do this, do that. Aside from their legal training, what particular training do they have that qualifies them for the operation in the field.

Mr. VINSON. Basically we use on-the-job training. We pair several young lawyers with several experienced lawyers. Perhaps Mr. Petersen would want to address himself to that in detail.

Mr. PETERSEN. First of all, I should say we are very selective in whom we take. We are looking for people, not only who are very bright, from the upper portion of their class in law school—so far as the younger people are concerned.

When they come to us, we have manuals on organized crime, trial of Federal criminal cases, trial of Federal income tax cases they are required to study and familiarize themselves with on their own time.

Then within the section we have two subgroups—one which deals with labor matters, and another which deals with gambling, liquor, and narcotics violations. Ordinarily we try to have them spend a period of approximately 6 months familiarizing themselves with the system in which we operate, the investigative agencies that do the basic work, the statutes themselves, the legal problems involved.

Therefore they are assigned to one of the senior attorneys, where they work in the field on organized crime investigations as such. And by that we mean the number of persons in that particular area who have earned for themselves the right to be called organized criminals, and who have been identified by the intelligence gathered over a period of years.

Initially, their first job in the field is to analyze the intelligence information, to broaden their scope, to develop a greater knowledge of the techniques employed, infiltration of legitimate businesses, possible legal consequences, applications for FHA loans or small business loans, which are worthy examples of the type of thing we ask them to look for.

We expect them to be able to work grand juries, and I think that takes a great deal of aggressiveness in a very judicious fashion, to probe in a grand jury investigation, to get the facts that are necessary.

We familiarize them with the immunity statutes, and the techniques that are employed when people take the fifth amendment. Under the law you cannot just cite them for contempt. If you don't have an immunity statute, you have to be content with failure to obtain testimony. But there are a number of immunity statutes throughout the Federal Establishment, and generally speaking they are in such diverse fields as ICC, FTC, Federal Communications Commission. The

antitrust laws present a special problem, because that is an automatic immunity provision.

All this time of course they are working under a senior attorney.

We have found that it is not quite possible to point out to a junior lawyer just how to conduct an organized crime investigation, because each presents a different set of facts. It is a very professional job, and a great deal depends on the intuitive sense of the man, the expertise, his professional ability, his ability to get along with people, particularly so in developing informants. Not all people have that ability. And we have a few in the section who do it expertly. And, of course, we make use of their talents, even in investigations in which they are not immediately involved.

Mr. EDWARDS. Keeping in mind that all of us think we are underpaid, are you able to offer these men sufficient income to attract the type of men that you think you need?

Mr. PETERSEN. In my judgment—I am not sure I can be objective—this is a very difficult job. It is very demanding. It is demanding in terms of time away from home, work in the field. It is frustrating in terms of the investigations themselves.

The present salary structure provides that young lawyers come to us as grade 9. A year after they are promoted to grade 11, provided they are—

Mr. EDWARDS. What does that mean in terms of dollars?

Mr. VINSON. I think a 9 is \$7,600—that may have been before the last raise. Then they get about a \$1,200 raise after a year.

Mr. PETERSEN. Generally speaking, they are in approximately thousand-dollar increments. Again a year to grade 12. And from grade 12 the waiting period is 18 months—again assuming they merit promotion.

We do have some difficulties at grade 14 and 15 because of the Government-wide restriction on promotion to upper levels.

And I think that is a difficulty, because if a young attorney develops well, at the end of 3 years, which is generally about the time that it takes for him to become reasonably expert, he is basically doing the same work as those who are paid more. And, of course, the restrictions on pay do present something of a problem.

Mr. EDWARDS. What is your rate of turnover among these lawyers?

Mr. PETERSEN. I think it averages about 12 a year, sir. Now, of that 12, I think that you will find—we will furnish the statistics to you—I think you will find that approximately two or three of that 12 have gone out to U.S. attorneys' offices, which is not a total loss to us, because it is of real benefit to us to have a person experienced in organized crime investigations working in San Francisco, where we have one of the assistants that was formerly with us, and in many other sections of the country.

So if you reduce that by those who have gone as U.S. attorneys, it averages about nine a year.

Mr. FASCELL. At this point, if the gentleman would yield, we would like to put into the record the number of personnel and the salary classifications for your section; also estimates of the total expenditures of your section, and the categories of the expenditures.

Now, you have already submitted that to the committee in a memorandum, I believe, and we will take that submission and insert it in

the record at this point. And if you would care to comment on any of that right now, you may.

(The information referred to follows:)

DEPARTMENT OF JUSTICE,  
March 20, 1967.

Memorandum to: Mr. Gerald Shur.

From: James W. Musket, staff assistant, Criminal Division.

Subject: Division appropriations and average number of division assignments.

The following sums and averages are based upon the best information available:

Fiscal year	Division appropriation	Average number of division attorneys	Average number of O.C. attorneys	Average remainder, division
1968 (requested).....	\$3,777,500	168	66	102
1967.....	3,600,700	158	158	100
1966.....	3,240,732	140	48	92
1965.....	3,206,565	140	54	86
1964.....	3,226,630	153	63	90
1963.....	2,983,658	149	60	89
1962.....	2,532,806	137	52	85
1961.....	1,965,025	112	37	75
1960.....	1,562,906	99	17	82
1959.....	1,474,204	92	13	79
1958.....	1,288,383	87	13	74
1957.....	1,200,363	89	4	85
1956.....	1,336,985	94	2	92

<sup>1</sup> Projected.

However, the unit was formed on June 30, 1954. Our records reflect from that time to May 14, 1954, only three or four attorneys were assigned. On May 14, 1957, seven additional attorneys were assigned and the section then really started to operate.

Mr. VINSON. Well, we have a letter that hopefully will be delivered to you this afternoon. We received a request from Congressman Edwards—I think it got to my desk on Monday. It will show that so far in this fiscal year, which has a little more than 2 months to go, we have lost nine attorneys in the Organized Crime Section. The reasons for their departure—we had one death—we had five leave to go into private practice—two went to the military service, and one left to go to the office of a U.S. attorney as an assistant U.S. attorney.

Mr. GALLAGHER. What is the normal length of stay of the attorneys?

Mr. VINSON. I don't have that at my fingertips. I would be glad to work that up for you.

Mr. GALLAGHER. Would you guess? Is it 2 years, 3 years, 1 year, 4 years?

Mr. VINSON. I would say in the Organized Crime Section we have a good cadre of probably one-third career people, which would raise the average substantially. Of those who leave, who are not career oriented, I think 3 years would be in the ball park.

Mr. PETERSEN. We try to get a 3- to 5-year commitment from the new people who come to us.

Mr. GALLAGHER. This is one of the things I have some reservation on. For every one that you might train to go into the U.S. attorney's office, you have five that go into private practice, and therefore could undo your techniques—like some internal revenue attorneys when they represent violators when they leave the service.

Mr. PETERSEN. That is a mixed blessing I suppose. On the other hand—there is a plus side. We have one at the University of Notre Dame, where the professors have organized an organized crime semi-

nar. We have another one going to the University of Pennsylvania, and a promise from him he will organize an organized crime seminar.

I have just been informed recently—though the person who did it is not a member of the Organized Crime Section—that the University of Southern California, has modified its criminal law course, and they will devote the first 2 weeks to criminal law, and the remainder of the course is devoted exclusively to organized crime.

So we do get some benefit from some of the people who leave us.

Mr. GALLAGHER. If they become exclusive to organized crime, aren't we somehow then neglecting in the law schools the real problems of disorganized crime, which seems to present a far greater problem to people today who walk the streets, fear resulting from the whole spectrum of street violence and the breakdown of law and order in our fast growing society?

Mr. PETERSEN. I did not mean to leave the impression they were totally organized crime courses. One is simply a seminar, which supplements the regular course on criminal law.

Mr. VINSON. If I might have one word.

Very few of these people leave us and go into criminal defense work. I would say that the substantial percentage of them leave to go into civil trial work.

There is also another factor.

We lose people to U.S. attorney's offices. And as Mr. Petersen says, we are delighted to lose them to U.S. attorney's offices. We also get recruits from U.S. attorney's offices.

Mr. FASCELL. Isn't the \$64 question whether or not any of your trained recruits have defected to organized crime?

Mr. VINSON. There has been no such instance, Mr. Chairman, I am happy to report.

Mr. FASCELL. Mr. Edwards?

Mr. EDWARDS. While we are on this general subject, what about your relationship with the U.S. attorney's offices generally? I assume from what you have said that where you have a member of your Section who goes into a U.S. attorney's office, your relationship is pretty good, you seem to be happy with that situation.

Do you have situations where you are not happy with the relationship?

Mr. VINSON. No, sir. Generally speaking—we might have an incident, a problem developing once a year or so. But generally speaking, it is a very good relationship.

Mr. EDWARDS. Do you find generally the U.S. attorney is really competent to handle the matters that come out of your section?

Mr. VINSON. Yes, sir. And we actually—many of the cases we develop our people try in court—a substantial number of them we don't try, we pass them on to the U.S. attorney's office, and devote ourselves elsewhere.

Mr. EDWARDS. But you feel that if you should come into a situation where there is a U.S. attorney who perhaps would be weak in this field, that you would certainly have one of your men there to see that the case was not lost for want of a horse, or something like that?

Mr. VINSON. Yes, sir. You will find that most U.S. attorneys are very interested in this area. On occasion it happens that they are not. Or perhaps just by temperament they are not aggressive. And we supplement in such situations.

Mr. EDWARDS. If somebody up on high said to you—what one thing, if you only had one choice, would you choose as the best weapon to stop organized crime—what would you choose?

Mr. VINSON. I would go back, I think, to Congressman St Germain's comments—diligent, conscientious, effective local and State law enforcement.

Mr. EDWARDS. Of course, there you are dealing with human beings. I am talking about something that either this Congress or—

Mr. VINSON. Well, there is a bill before this Congress now, the Crime Control Act of 1967, which would—

Mr. EDWARDS. Safe streets bill?

Mr. VINSON. Yes, sir—which would enable the Federal Government, I think, to make a significant contribution to State and local law enforcement.

Mr. GALLAGHER. Would the gentleman yield?

Some time ago, when I was a practicing lawyer, and this question came up, I threw out a little suggestion which is rather simple. But if we stopped publishing the results of races, we could reduce a great deal of illegal gambling and thus greatly reduce illegal income to the syndicates you describe. If you did away with off-track publishing of results on a regular basis, it might help solve the problem. What do you think of that?

Mr. VINSON. Well—

Mr. GALLAGHER. I know of a newspaper that has a very wide circulation. It is not because they like to read speeches of people down here in Washington. It is because that is where the local number gets published.

This sort of thing, it would seem to me—if we had some sort of a concentrated effort to reduce the publication of this sort of thing. Horse betting—since most of this is, as you say in your statement, a result of gambling. Of course, this gets into all sorts of other areas. But it would be a simple way for cutting into the results, and without proper and verifiable results there would be no effective coordination between the fellow who places the bet and the person who accepts the bet.

Mr. VINSON. I have a feeling that word would trickle down.

Mr. GALLAGHER. Well, it might trickle down. But if you had to wait until somebody came from a track where a legal bet was placed, it would certainly cut into the vast organized operation that you describe.

Mr. EDWARDS. Would you have a first amendment problem?

Mr. GALLAGHER. Perhaps we would have a first amendment problem, but it is a lot better than putting a match to the whole Constitution because there is organized gambling in this country.

Mr. FASCELL. Mr. Vinson, it has been suggested by many people that if you legalize gambling, for example, this would have a tremendous influence in reducing the effects of organized crime. Have you found that true in Nevada and New Hampshire?

Mr. VINSON. Well, I think probably the closest analogy would be the British experiment. And I have read that those in a position to know in England feel that legalized gambling has, if anything, increased the amount of illegal gambling in England.

Mr. FASCELL. In other words, it is your considered opinion that legalized gambling, either on a State basis or national basis, is not the effective way to deal with organized crime?

Mr. VINSON. That is correct, sir.

Mr. FASCELL. What is the jurisdiction of the Federal Government with respect to corruption at the State or local level?

Mr. VINSON. Well, we have a number of jurisdictional handles; I suppose income tax is one. That, however, when we are dealing with small amounts of money for an individual, is not particularly effective. We then have the Interstate Transportation in Aid of Racketeering Act, which is probably the most useful tool. If in the process of violating a State law the channels and facilities of interstate commerce are used, we have jurisdiction.

Mr. FASCELL. In the organized crime that exists in this country, do you find any substantial control or operation with respect to prostitution rings, or homosexual rings?

Mr. VINSON. Certainly organized—we think not organized by the hardcore people that we are most interested in. Except in very limited areas, they do not really engage in the large-scale prostitution activities any more.

The homosexual rings, we know of no connection with Cosa Nostra, for instance, in that. But it was, I think—the indictments that were returned within the past year that you are referring to indicated a national conspiracy probably made up of as many as 40 or 50 people who travel throughout the country extorting money from homosexuals.

Mr. FASCELL. How about the interstate transmission, so to speak, of adults, male or female, for immoral purposes, in a kind of a national ring. Is there any evidence of that?

Mr. VINSON. No, sir.

Mr. FASCELL. Briefly, to what principal factors do you attribute the success of organized crime in the United States?

Mr. VINSON. Well, I would have to list gambling, which in turn means money, which in turn means entrenched power.

Second, public apathy.

Third, the failure of State and local law enforcement, and our inability to fill that void. As we discussed last week—New York City has more policemen, for instance, than we have investigators in the whole Federal Establishment. We just cannot police every place.

Mr. FASCELL. I notice you have emphasized public apathy several times in your testimony.

There are those who believe and have alleged that strongly stimulating public interest in the problem would be a hindrance to effective law enforcement rather than a help. This is on the thesis that an overall stimulated population would clog the whole law-enforcement machinery with all kinds of minor crimes, and local problems.

For example, some have discussed a suggestion box type of operation: if you have any ideas, drop in here, and we will drop it over to the Organized Crime Section. The theory goes that if you stimulated public interest and activity in this kind of thing—which would amount to house-to-house informants, for example, and vigilante committees—that you would clog the whole law-enforcement machinery to the point where it could not do anything.

What is your comment on this kind of idea?

Mr. VINSON. I would agree with you in part—that certainly we do not need any committees of public safety, vigilante operations. That is contrary to our history and philosophy. Public protection is Government's business.

I think an informed public, a public that is aware of the problem is what I mean.

You do have the problem—and again it gets back to what Congressman St Germain said—about the 25 percent arrest rates. Our courts are clogged. If the police were to waive a magic wand and double their arrest rate, our court system could well collapse. This is a challenge that I would love to be faced with. We have resources in this country that we can devote to our institutions of criminal justice, and that we should devote to them.

Mr. FASCELL. Well, I agree with you.

You do not doubt that the court system could meet the challenge, and I am sure that the Congress could, and also the State legislatures.

I think then what we are really saying is that the manner in which you would inform the public of the seriousness and the nature of the entire organized crime problem must be judicious?

Mr. VINSON. Yes, sir. I feel that somehow law enforcement has failed in part in its mission to inform the public, because there are people, and many people, who do not believe that there is a Cosa Nostra, for instance. "Yes, Virginia, there is a Cosa Nostra." But some people—sometimes they do not like to recognize ugly things.

Mr. FASCELL. Well, of course, whether the label exists or not is really immaterial. The fact is that you do have organized crime.

Mr. VINSON. Definitely.

Mr. FASCELL. That is the fact.

To what extent are organized crime operations increasing or decreasing?

Mr. VINSON. I have no way really to gauge that except intuitively. I don't believe they are increasing. I believe that in the past 6 years, inroads have been made. I believe that—

Mr. FASCELL. You mean by convictions or other actions?

Mr. VINSON. And investigative activities. I think they have been forced out of some heretofore profitable lines of endeavor and gotten into others. I think the infiltration of legitimate business—bankruptcy frauds were a thing that we knew very little about, heard very little about, until the last 4 years, for instance. Bankruptcy frauds in many parts of the country were moved into by organized groups—particularly true in New York, Philadelphia, and Chicago areas.

Mr. FASCELL. You said earlier that you were asking for 11 additional attorneys, is that correct?

Mr. VINSON. Yes, sir.

Mr. FASCELL. Would doubling the size of your staff, or some substantial increase beyond what you have asked for, have any justifiable results with respect to your Section? Mr. Petersen?

Mr. VINSON. That is conceivable. I think you would reach a point of diminishing returns. And I think the answer to that question is somewhat related to whether the Safe Streets and Crime Control Act gets out of Congress. That will make funds available for State and local communities to undertake intelligence operations, strategic intelligence operations, and to set up organized crime units. If that mate-

rialized, I would certainly seek additional attorneys in order to handle that proposition.

Mr. FASCELL. Legislation aside, what resources at the Federal level, in the way of manpower or relationship or structure or funds would be needed to make your operation more effective?

Mr. VINSON. In my closing remarks last week, I indicated that while we are sort of the focus and the coordinator, the work, the hard work—and this is hard work—these investigations often take 2 years from start to completion. It is investigative agencies that really commit substantial resources in terms of manpower, which is money, into this area. I am not prepared to speak for the various investigative agencies in this regard. However, it is at that level that I would commit my resources—and of course obviously if there is more investigative activity, we need more lawyers, too.

Mr. FASCELL. What is the principal problem that the Department of Justice or the Organized Crime Section faces in effectively dealing with organized crime? Or in more effectively dealing with it?

Mr. VINSON. Evidentiary problems, basically.

We have difficulty. We have many people who will talk to us. Informants will talk to the Bureau, or to us, or to IRS. They will not testify. They won't put their neck on the line publicly.

We try to cope with this in a number of ways. Where we do have a willing witness, we furnish protection to the best of our abilities. We relocate them in other parts of the country, or sometimes outside the country, and establish new identities for them. It is always an ad hoc proposition. Who is going to protect them? How do we get them a job someplace else, where they cannot have references, where you cannot make inquiries at home base? And within the last year we have started working toward a more permanent solution to this sort of problem. We are exploring now with the Department of Defense setting up facilities in about four parts of the country where we can put these people, pending trial, during trial, and where we can put assistant U.S. attorneys whose lives or whose families have been threatened.

Mr. FASCELL. In other words, put them in a security installation without putting them in jail?

Mr. VINSON. Correct.

We have also instituted negotiations with both the Civil Service Commission and with the President's Business Advisory Council, to render us assistance in finding jobs for cooperative witnesses who must, because of threats to their safety, be relocated in another part of the country.

Mr. EDWARDS. Concerning your Department, is it true that there are one or more vacancies in top posts in the Justice Department?

Mr. VINSON. We now have three vacancies in top positions.

Mr. EDWARDS. What are these positions?

Mr. VINSON. Deputy Attorney General, and two Assistant Deputies.

Mr. EDWARDS. Do you happen to know offhand when those will be filled?

Mr. VINSON. I would hope soon. They were not filled because all three of those jobs have a very personal relationship with the Attorney General. Mr. Clark was appointed Attorney General just a month ago.



Mr. EDWARDS. Aren't they, in your opinion, very essential to an effective job by the Justice Department?

Mr. VINSON. They are very important jobs; yes, sir.

Mr. EDWARDS. One more question. We have not really gotten in at all, into the question of wiretapping and bugging. Now, there is a great debate going on as to whether this is good or bad, if it is good to what extent it should be used, whether you need a court order to set up such a system.

Does the Justice Department have a position that it feels is essential to detecting organized crime, and convicting criminals that are brought in?

Mr. VINSON. We have a position that has been made very clear with respect to wiretapping and eavesdropping. The President has introduced a bill, the Right to Privacy Act of 1967, which would in effect ban all wiretapping, and to the extent possible for the Federal Government would prohibit other illegal forms of eavesdropping, with one exception, and that is the national security, and then only with the written consent of the Attorney General.

Mr. EDWARDS. Under this, then, you would not have available to you wiretapping or eavesdropping equipment in detecting or carrying out surveillance in all kinds of crime investigations; is that correct?

Mr. VINSON. That is correct. And, of course, we have not—such evidence has always been inadmissible, and in that sense it has not been available to us in the past.

Mr. FASCELL. I promised the Assistant Attorney General we would excuse him at 11:45. He has an appointment with the Attorney General.

We will probably be submitting some more written interrogatories, and if you will at your earliest convenience supply us with the information for the record, we would appreciate it. We undoubtedly will think of a hundred other questions and matters we need to ask you about. And we will be in touch with you about that.

I want to thank both you and Mr. Petersen for making time available for us.

With that, the subcommittee will adjourn, subject to the call of the Chair.

Mr. VINSON. Thank you, Mr. Chairman. We will be available for any help you need.

Mr. FASCELL. Thank you.

(Whereupon, at 11:45 a.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.)

## THE FEDERAL EFFORT AGAINST ORGANIZED CRIME

TUESDAY, MAY 16, 1967

HOUSE OF REPRESENTATIVES,  
LEGAL AND MONETARY AFFAIRS SUBCOMMITTEE  
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,  
*Washington, D.C.*

The subcommittee met, pursuant to notice at 10 a.m., in room 2247, Rayburn Office Building, Hon. Dante B. Fascell (chairman of the subcommittee) presiding.

Present: Representatives Dante B. Fascell, Cornelius E. Gallagher, Fernand J. St Germain, Jack Edwards, and Guy Vander Jagt.

Also present: M. Joseph Matan, staff administrator; Charles Rothenberg, counsel; and Millicent Y. Myers, clerk.

Mr. FASCELL. The subcommittee will come to order.

Today we resume the Legal and Monetary Affairs Subcommittee examination of the Federal efforts and capabilities in coping with the menace of organized crime.

This subcommittee is charged with examining and evaluating the efficiency and economy of operations of many of the agencies of the Government which are involved in the Federal effort against organized crime. Today we shall inquire into the antiorganized crime operations of the Internal Revenue Service, and particularly the Intelligence, and Alcohol and Tobacco Tax Divisions.

Also recently we have had indications that organized crime has found a new source of easy money in the counterfeiting of prescription drugs and medicines. At least so says Margaret Craig in her new book "Black Market Medicine." According to her, organized crime syndicates are making huge profits from the manufacture and sale of fake copies of many pills and medicines commonly prescribed for the ills of humanity—and in addition to being an easy source of ill-gotten gain, it dangerously affects the lives of men, women, and children, and the subcommittee is interested in pursuing that course of inquiry.

The basic purpose of the subcommittee's study is to determine the full magnitude of the syndicated crime problem and what the Federal Government is doing to combat organized crime. The Internal Revenue Service is primarily a tax collecting agency; however, some of the most successful efforts against organized crime have arisen through the Internal Revenue Service's investigations which were commenced in aid of its tax collection.

I am pleased to welcome here today from the Internal Revenue Service, Mr. William A. Kolar, Director of the Intelligence Division, and Mr. Harold A. Serr, Director of the Alcohol and Tobacco Tax

Division, from whom we expect to ascertain how the existence of organized crime affects the operations of the Internal Revenue Service; how it moves against organized crime figures, what success it has had; and its relationship to the other agencies of the Federal Government and to State and local governments that are fighting organized crime.

I want to put this note of caution again on the records.

We are not interested in open session of inquiring into any of the proposed or active operations of your respective units on on-going cases. If a question should arise with respect to that matter, I will consider going into executive session, and receive the full testimony, on any on-going investigation.

Now, gentlemen, each of you has prepared statements. Mr. Kolar, we would be very glad to hear from you.

**STATEMENT OF WILLIAM A. KOLAR, DIRECTOR OF THE INTELLIGENCE DIVISION, INTERNAL REVENUE SERVICE, ACCOMPANIED BY THOMAS B. CARNEY, EXECUTIVE ASSISTANT, OFFICE OF THE DIRECTOR**

Mr. KOLAR. Thank you.

Mr. Chairman, Mr. Edwards, it is a pleasure to be here today in connection with your consideration of the important problem of organized crime in this country.

First, it may be helpful to define the functions of the Intelligence Division. The official mission of the Division is as follows:

To encourage and achieve the highest possible degree of voluntary compliance with the internal revenue laws by: enforcement of the criminal statutes applicable to income, estate, gift, employment, and certain excise tax laws through the investigation of suspected criminal violations of such laws and the recommendation of prosecution (when warranted); development of information concerning the extent of criminal violations of all Federal tax laws (except those relating to alcohol, tobacco, narcotics, and firearms); and measurement of the effectiveness of the investigation and prosecution processes.

The Intelligence Division has always been vitally concerned with identifying and investigating the tax affairs of top racketeers, gangsters, and other individuals engaged in illegal activities. An extra degree of investigative emphasis has always been given to returns filed by such major racketeers, on the assumption that they are motivated by profit and have no more respect for our tax laws than those which they violate to derive their ill-gotten gain.

The Intelligence Division presently has approximately 1,700 special agents located at various posts of duty throughout the United States. The frontline investigators operate at the district level as an integral part of 58 separate district offices. A chief, Intelligence Division, directly responsible to the District Director, is in charge of each district office. At each of the seven regional offices, an assistant regional commissioner (intelligence), who is directly responsible to the regional commissioner, provides functional supervision to the district offices within the region. While day-to-day supervision of all these field activities is exercised by officials in either district or regional offices, general control is maintained by the Director, Intelligence Division, at Washington, D.C., through program and procedural guidance, visitations and reporting requirements. The Director, Intelligence

Division, in turn, reports to the Assistant Commissioner (Compliance) who is directly responsible to the Commissioner and the Deputy Commissioner of Internal Revenue.

The Intelligence Division assigns top priority to organized crime drive investigations and at the inception of the organized crime drive in 1961 a separate group was established in the national office to coordinate such cases on a nationwide basis. In addition, a new position of regional coordinator was established in each regional office to coordinate organized crime drive activities within the region, with other regions and with the national office. The selection of personnel for assignment to organized crime drive duties is approached with deliberation and only qualified personnel, experienced in racketeer work, are assigned to such duties. Throughout an investigation there is coordination at the field level with attorneys from the Organized Crime and Racketeering Section of the Department of Justice. Every effort is made to assign all needed manpower to these cases so that these investigations can be promptly and effectively completed.

During the period from the inception of the organized crime drive in February 1961 to March 31, 1967, the Intelligence Division conducted over 5,000 investigations relating to organized crime. This number represents income tax evasion and wagering tax violations. During the period involved, approximately 20 percent of Intelligence Division's manpower was devoted to organized crime drive investigations. Our efforts have resulted in 2,198 convictions and 1,338 cases are now pending prosecution. In addition to imprisonment, the courts have imposed fines totaling more than \$3 million. As a result of the tax investigations, we have recommended assessment of over \$295 million in taxes and penalties. These figures include both income tax and wagering tax violations.

Mr. FASCELL. Mr. Kolar, you have submitted a statistical table on organized crime for the fiscal years 1961 to 1966 inclusive, showing the total projects and also the dollar amounts through June 30, 1966, \$274,256,357. Reconciling that against the figure you have here of \$295 million—this is for a later date, is that right?

Mr. KOLAR. Yes, sir.

Mr. FASCELL. Without objection, we will insert the table in the record at this point.

(The table referred to follows:)

ORGANIZED CRIME DRIVE STATUS REPORT, FISCAL YEARS 1961 TO 1966, INCLUSIVE

*Assignments*

Fiscal year	Projects		National office numbers	Satellite designation	Total
	National office	Regional			
June 30, 1961			62	118	180
June 30, 1962		18	266	599	883
June 30, 1963	1	12	109	635	757
June 30, 1964	3	19	95	976	1,093
June 30, 1965	10	11	132	1,083	1,236
June 30, 1966	10	10	81	876	977
Total	24	70	745	4,287	5,126
Cancellations	16	11	251	1,697	1,975
Assignments open	8	59	494	2,590	3,151

*Status*

	June 30, 1961	June 30, 1962	June 30, 1963	June 30, 1964	June 30, 1965	June 30, 1966	Total
Prosecution completed:							
Convictions.....	2	76	242	505	518	577	1,900
Dismissals or acquittals.....	0	11	58	124	128	133	454
Projects completed.....	0	0	1	1	8	1	11
Pending prosecutions.....	25	364	231	168	192	244	1,224
Additional active investigations.....	151	373	38	48	91	(137)	564
Closed, nonprosecution.....	2	59	187	247	289	179	478
Total.....	180	883	757	1,093	1,236	977	5,126
Related cases.....	0	216	347	278	426	165	1,342

*Additional tax and penalties, fines imposed*

Fiscal year ended	Fines imposed	Additional tax and penalties
June 30, 1961.....		\$4,418,823
June 30, 1962.....	\$139,664	29,512,400
June 30, 1963.....	409,560	37,388,363
June 30, 1964.....	793,548	65,028,771
June 30, 1965.....	764,369	77,843,000
June 30, 1966.....	557,015	60,065,000
Total.....	2,664,156	274,256,357

Mr. KOLAR. May I explain these figures?

There has been no uniformity, to my knowledge, of keeping figures between the Department of Justice and the Internal Revenue Service.

In 1961, in addition to working on the names submitted by the Department of Justice as organized crime figures, the Revenue Service created its own definition, and principally it included people operating in a continuous fashion to violate the laws in a manner deemed detrimental to the community in which they resided.

It seems to me, in trying to reconcile figures—while doing a little homework for this appearance—that our figures are not consistent with those of the Department of Justice.

We did include in our figures—in fact, in the figures I cite here, I would say that 80 percent of these convictions are wagering-type violations. In other words, what I am trying to say, sir, is that we were more liberal in designating an individual as being involved in organized crime than it appears that the Department of Justice was.

However, within the past year, we have instituted a system under which we do not designate an individual as an organized crime drive subject until we have the concurrence of the Assistant Attorney General in writing and stating that he agrees that this is an organized crime drive subject. The purpose, of course, is to keep the organizations concentrating on the same individuals, to keep the statistics in line. And secondly—let's say, to assure the citizenry, that when they become the subject of an organized crime drive investigation, it is with the full concurrence of the Department of Justice, who has the responsibility for administering the organized crime drive.

So I would say from now on our figures will be totally consistent over the years.

Mr. FASCELL. Mr. Kolar, I think that is a very important point, simply from the standpoint of personnel, and the effectiveness of your

drive—if you have a more liberal interpretation, you bring people across the line, so to speak.

Mr. KOLAR. Yes, sir. We are not precluded from investigating those people. We make wagering investigations that are no longer called organized crime drive investigations.

Frankly, the term organized crime drive is more administrative within the organization to allot people and funds. So we are not precluded from doing it just because we do not designate it as an organized crime drive case.

Mr. St GERMAIN. If I may make an observation at this point. I go back to the testimony given to us by Mr. Vinson of the Organized Crime Section. In it, he testified that other agencies were cooperating with the Department of Justice. But I personally got the impression from his testimony that it was more or less—I used the word, I think “shotgun approach.” And I am wondering if this does not confirm my opinion that there is not the coordination, possibly, that there should be. And I am wondering if the witness might not care to comment on that. The coordination amongst the various agencies—the FBI, Justice, Treasury, Immigration, and Customs—that there should be—the strong coordination.

Mr. FASCELL. We are interested in that. Suppose we let Mr. Kolar finish his statement, then we will go back and let him answer Mr. St Germain’s question, in which we are all interested.

Mr. KOLAR. Thank you.

As a result of Intelligence Division efforts in the organized crime drive, the Government has been instrumental in bringing to justice some of the most notorious underworld figures in the country.

Insofar as the coordination of our activities with those of other Federal investigatory agencies is concerned, the Criminal Division of the Department of Justice has acted as a focal point through which pertinent information disclosed during investigations by the other agencies has been disseminated to our investigators. To the extent permitted by statutory restrictions, information disclosed during our investigations which concerns crimes not under our jurisdiction, has been forwarded to the Department of Justice. In this regard, our field offices in all of our operating divisions are required to report to the national office of the Intelligence Division any indications of such crimes that come to their attention.

The disclosure prohibitions of the Internal Revenue Code have, to some degree, handicapped our exchange of information with other agencies; however, those agencies are aware of the necessity for placing restrictions on information divulged in income tax returns and have not to our knowledge interpreted the restrictions as a lack of cooperation on our part.

We have found the coordination rendered by the Criminal Division of the Department of Justice to be extremely beneficial and frequently successful prosecutions of organized crime figures for crimes not under our jurisdiction are based on evidence which we helped to develop.

Intelligence Division officials, over the past 16 years, have established and cultivated important relationships with State and local enforcement organizations. The value of these relationships can best be demonstrated by the following remarks by Chief Judge W. H. Timbers, U.S. District Court, District of Connecticut, in passing

sentence on several individuals convicted of violating the Federal wagering tax laws:

During the past 2 months, I have been preoccupied with the trial and disposition of some 49 Federal gambling tax cases. The evidence and other information which has been brought by officials to the court's attention in these cases has resulted in certain definite impressions. First, I have been impressed with the extraordinary skillful, fearless, and effective work of the law enforcement and investigative agencies which have devoted long hours over many months to the difficult task of obtaining the evidence and presenting it in court. This includes the U.S. attorney and his staff, the Intelligence Division of the Internal Revenue Service and the Connecticut State Police. The undercover work, in particular, disclosed in these cases has been most impressive. These men, in the performance of their duties, have acted without fear or favor. Many of these men are married and have children. Their conduct in this dangerous sector of organized crime, where their lives often are in jeopardy, merits the highest praise of the court and the everlasting appreciation of a grateful public.

Secondly, I have been impressed with the highly commendable and effective cooperation between the participating Federal and State law enforcement agencies, specifically the Intelligence Division of the Internal Revenue Service and the Connecticut State Police. This is precisely the type of cooperation which the public demands and deserves.

Cooperation is, of course, also maintained and even to a closer degree with other Treasury law enforcement segments. This is particularly true between the Intelligence and the Alcohol and Tobacco Tax Divisions. These Divisions frequently conduct joint investigations and exchange personnel when expertise is required in a particular field.

Criminal syndicates in this country make tremendous profits due primarily to the ability of such gangs to secure monopolies in the illegal operations in which they are engaged. These monopolies are types that provide continuing financial profit. They are established through the use of terror and corruption to accomplish their purposes. It is found most frequently in the vice violations such as gambling, narcotics, and shylocking. These all have characteristics which make them particularly suitable to the monopolistic approach of syndicates and very often are not frowned upon by the general public. The profits are large and continuous. The geographical location or "territory" can be easily defined, assigned, and controlled. The laws involved are frequently unpopular. There is usually a principal in the background who shares in the profits but who does not apparently participate in the frontline operation. The principal or his top lieutenants may arrange for the corruption of public officials which is essential for the existence of extensive, continuing and profitable vice operations, and for the elimination of competitors who attempt to intrude into profitable illegal ventures.

Organized criminal gangs operating in interstate commerce are firmly entrenched in our large cities in the operation of many different gambling enterprises such as bookmaking and policy, as well as in other rackets such as the sale and distribution of narcotics, shylocking, and prostitution. Gambling profits are the principal support of big-time racketeering and gangsterism. These profits provide the financial resources whereby ordinary criminals are converted into big-time racketeers, political bosses, pseudo-businessmen and philanthropists.

It is generally agreed that the flow of money to bookmakers taking bets on horseracing and sporting events and wagers placed in lottery operations totals billions of dollars annually. From its huge gambling

THE FEDERAL EFFORT AGAINST ORGANIZED CRIME 65

profits, organized crime is able to finance other illicit activities. The gambling business in this Nation involves a socioeconomic problem of great magnitude. Gambling, the financial support of organized crime, has the potential to destroy our democratic way of life if we do not control it, and contributes to the poverty which exists in many parts of the country. Certainly we are all conscious that racketeering has often subverted local governments and destroyed their integrity. It is reaching further into legitimate businesses every day, and when it reaches into legitimate business, integrity goes out the window. Organized crime touches many citizens of this Nation and ferreting out and prosecuting its leaders is a formidable challenge to Federal, State, and local enforcement officials throughout our country. A basic must in combating organized crime is more stringent enforcement of gambling laws at the local and State levels. These governments have the laws and machinery to curb and control gambling. If the gambling profits which finance most, if not all, organized crime activities, were eliminated or materially reduced, mobsters would have difficulty financing their other nefarious enterprises such as loansharking, prostitution, and so forth. It would also substantially reduce the extent of corruption of public officials, for without huge gambling profits, there would be little incentive to corrupt police and public officials.

One of the most significant steps taken by State and local enforcement organizations in recent years to combat organized crime is the creation of departmental intelligence units. Presently, there are approximately 150 police departments in the country that have formed such units. The primary functions of these units are gathering and exchanging information concerning the top echelons of organized crime. They have proven that a police organization so constituted can accurately collect and disseminate relevant information essential to the prosecution of those engaged in organized crime.

The Federal Government, together with local and State governments, has the responsibility of making the public aware of the nature and extent of organized crime. All too often, the general public evidences an apathy toward gambling and corruption of local officials. The public evidently fails to recognize that a breakdown in one area of enforcement encourages breakdowns in others. The public has to be aroused to the fact that the tentacles of organized crime reach into virtually every community throughout the country. The public has to be sold on the idea that stamping out organized crime is in the first instance a local enforcement obligation which depends on its own attitude toward appointed and elected officials and what it expects of them in administering and enforcing the laws.

In closing, I would again like to thank you for the opportunity of being invited here today and for your courtesy in permitting me to present my statement. The task of combating crime in the United States is complex and defies imagination. If I may quote from the recent report of the President's Crime Commission:

Controlling crime in America is an endeavor that will be slow and hard and costly.

As stated in that same report, over 60 percent of the convictions secured between 1961 and July 1965, resulted from tax investigations conducted by the Internal Revenue Service. We are proud to have played a significant role in this very real challenge. I can safely speak



for everyone in the Internal Revenue Service in assuring your committee of our continuing dedication to this cause and hope that we will be able to contribute even more in the future than we have in the past.

Mr. FASCELL. Thank you, Mr. Kolar.

Mr. KOLAR. Thank you, sir.

Mr. FASCELL. I think I must be one of many who have the layman's opinion that if we did not have the Internal Revenue Service, the Intelligence Division, and other units, that we probably would not have any effective weapon against organized crime in this country. I think your assumption that organized criminals derive their incomes from illegal sources and that they cheat on their income tax returns is a pretty good one. The fact that you have 60 percent of the organized crime convictions would seem to bear that out adequately.

Mr. KOLAR. Thank you, sir.

Mr. FASCELL. I might as well add at that point, that it is probably a great bargain for the American taxpayer to have the Internal Revenue Service around. Except on April 15.

Mr. KOLAR. It is tough on me, too, sir.

Mr. FASCELL. Would you like to direct yourself to questions? You could start with the question that Mr. St Germain asked.

Mr. KOLAR. I think that this business of coordination—well, there are two phases. One of course is in designating individuals as coming under the program, and as a subject of concerted effort by the various agencies.

The other, of course, is the cooperation with respect to investigations, or during investigations.

But I make this statement.

I have worked in five different investigative agencies or capacities in the Government, and I happen to be very conscious of cooperation, for the simple reason that in all the agencies I have worked, I have found the people to be identical, their desires to do a job to be identical. The only thing that separates them is agency designations. This of course at times makes for problems.

But I would have to say that I find the cooperation to be as good as you could ever expect of agencies having different responsibilities and different titles.

Mr. ST GERMAIN. The word is coordination, not cooperation. I agree there is cooperation. My question is on coordination, so you concentrate your efforts in the right direction.

Mr. KOLAR. Let me make a brief statement. I will try to make it brief. Unfortunately at times it is difficult.

I have been in the Intelligence Division only a year and 5 months. Certainly I have looked to the Organized Crime Section for guidance—as well as the people in our Division.

I have found that guidance there, I have found that coordination there.

To me, in all of my years of investigative experience, the best investigator is an experienced investigator with legal advice. Now, if an attorney is with him on a day-to-day basis, I believe you have got the best investigator.

I find the coordination coming out of the Department of Justice to be excellent. The leadership, the designation of individuals that we should concentrate on.

I hope I have answered the question. At least, I have done my best. I will be pleased to speak further.

Mr. EDWARDS. Do you depend generally on attorneys from the Justice Department in your investigations, or do you have your own staff of attorneys?

Mr. KOLAR. We have our own Chief Counsel within the Revenue Service. We have our own regional counsel within the Revenue Service. We have the Tax Division of the Department of Justice, the Criminal Division, the Organized Crime and Racketeering Section, and the U.S. attorney. I know of no agency that has more attorneys working with them.

We go to our own counsel when we have a question that needs legal research, where we need legal guidance we go to our own counsel.

During the course of an investigation where an O.C. & R. attorney from Justice is on the case in the field, we go to him.

Might I say that it is rather difficult sometime deciding just where to go and who to go to.

Our own counsel has instituted a program of working with us in the field on investigations.

I think this is going to be extremely helpful, and to a degree will necessitate our going less to the OCD attorneys for guidance, since we have our own counsel.

Mr. EDWARDS. Have you ever found any problems in going to the Organized Crime Section for help from their counsel?

Mr. KOLAR. From their counsel or our counsel?

Mr. EDWARDS. Theirs.

Mr. KOLAR. None whatsoever. The Organized Crime Section is relatively new, and I think any organization takes a long time to adjust to the new responsibilities it has—at least many of their personnel are relatively new.

But I will say to you I have found no problem in Washington or in the field. And I am enthused about the cooperation, the coordination that they have given us. And I would recommend if anything that it be somewhat strengthened, if that is possible.

Whenever you have a group of people doing a single job, someone, it seems to me, has to sit at the top and help direct the effort.

Mr. EDWARDS. You see the Justice Department's Organized Crime Section in that role?

Mr. KOLAR. That is the role that I see them in, yes, sir. Now, this might be contrary to the way others view it. But this is my sincere feeling. I think it is very valuable assistance to us.

Mr. EDWARDS. Does your agency or your division have any type of letter agreement or anything else in writing between the Justice Department and the Internal Revenue Service concerning coordination of efforts?

Mr. KOLAR. To my knowledge, we have nothing in writing. It is simply an agreement that we will do the job, and our differences are generally ironed out by conversation, and we have no problem.

In view of my lack of history in some of these areas, I have asked Mr. Carney, who is an executive assistant in the office of the Director, to come with me. He has been a lifelong employee of the Revenue Service, and certainly has a broader knowledge than I have and a deeper knowledge of organized crime. So possibly he can aid me on that question, if I have overlooked something.

Mr. CARNEY. No, we do not have any formal agreement, sir.

Mr. ST GERMAIN. Would the gentleman yield?

Mr. EDWARDS. Yes.

Mr. ST GERMAIN. You mean you don't have anything even in the form of a memorandum that points out guidelines to the agencies involved, such as I mentioned before—Internal Revenue, Justice, Customs, Immigration, and what-have-you—that gives you the guidelines as to what general technique you follow when any one of these agencies comes upon an individual or a group that they feel is part of the organized group—and here is how we proceed from there, and at this point we ought to call in Justice, or what-have-you.

Mr. KOLAR. What we do—every time we decide that an individual belongs in the organized crime drive, that the Department of Justice is responsible for administering, we write a letter to the Assistant Attorney General and advise him this is our view. He writes back and tells us, this man will be included in the drive or won't.

What procedure we will take within our own agency, that is pretty well defined.

Mr. ST GERMAIN. That is why I keep harping on this coordinating—the question of coordination. Don't you feel that it would be beneficial to the agencies involved if they did have a general guideline, a memorandum, that could be distributed to all the individuals concerned working in the field, so that when they come upon something, though it might not ordinarily occur to them that they have got something that is worth looking into further, and calling maybe some of the other agencies in—this indicates to them automatically—well, here, we should submit this situation to the Justice Department, to the Organized Crime Section.

Don't you feel that that would be helpful?

Mr. KOLAR. Yes, I feel it would be helpful, certainly. But I have not found it to be a problem—I will put it that way—the lack of it. But there is no question that the more clearly these things are spelled out, the more helpful they become.

We have received letters designating people, especially at the inception, as being the prime figures to be investigated. Their names appear in every one of our offices. And any time information is received with respect to them, it is forwarded to Washington. We can, of course, use our judgment as to whether it should go to the Organized Crime Section of Justice.

Mr. ST GERMAIN. But the Organized Crime Section also testified that they rely upon you to bring individuals to their attention. I mean it is a two-way thing.

Mr. KOLAR. Yes, sir. In fact, I am rather proud of the fact that we have made it more two way than it ever was.

We don't want to designate an individual, a citizen, as an organized crime drive subject without some concurrence from the Attorney General that this is in line with the program that he is charged with administering.

Mr. FASCELL. Mr. Edwards.

Mr. EDWARDS. Mr. Kolar, going back a moment—you mentioned that you had been in this section about a year.

Mr. KOLAR. A year and 5 months, sir.

Mr. EDWARDS. What is your background prior to that?

Mr. KOLAR. I worked 4 years in private industry, graduated from law school back in 1943. I became a special agent of the FBI. I re-

mained there 8 years, served 2 years as a supervisor in Washington. My work was principally in the espionage field during World War II. I left the FBI in 1951. I was employed in the Office of Price Stabilization in an investigative capacity. I thereafter obtained employment with the Senate Judiciary Committee on the administration of the Trading with the Enemy Act—that was a Judiciary subcommittee.

In January 1954, I obtained employment with the Internal Revenue Service. I have been in—call it their Special Police Force, if you will, in the Inspection Organization, as an Assistant to the Director. I was Director of the Internal Security Division of the Revenue Service from 1960 to 1966, and in 1966, upon the request of the Deputy Commissioner, and the Assistant Commissioner, Compliance, I took the position that I have today.

Mr. EDWARDS. You fall into the category, generally, then, of a career employee in the Internal Revenue Service?

Mr. KOLAR. I would think so—since 1954, sir.

Mr. EDWARDS. Now, when Justice gives you the names of those individuals who they say should be in the organized crime drive, what is the normal procedure in your Division? What do you do with these names?

Mr. KOLAR. First we would check the names against our own files in the national office to see what had been done before.

Ours is a decentralized organization as compared to most other investigative agencies, which are centralized. Therefore, we don't have the same files in the headquarters that other agencies have in theirs.

We send the name as well as all background data to the office of the district director concerned, with a request that this individual be included in the organized crime drive, and that investigation be undertaken.

Every 45 days we receive in Washington a status report, outlining the course of the investigation. That is made available to the Organized Crime Section of the Department of Justice.

Mr. EDWARDS. Do you generally ride herd on the tax returns of all those who are on the list of organized criminals?

Mr. KOLAR. Over the years—and I am sure it is even prior to 1951—it is since the days of Capone, really—the Revenue Service has had what we call an inservice racketeer program. Certainly it was stepped up after the Kefauver hearings, and after the Apalachin meeting, and after the McClellan hearings. All of these emphasized the need to continue it. We have a system where racketeers in the United States are identified within our own offices, and their returns—there is a continuing file—it is not an investigative file, but it is a file in which we collect data. Their returns are looked at every year, and every 2 years they may be audited as—let's say a look at their returns and the other data would indicate whatever action should be taken.

We collect the names within our own organization of known racketeers. We look at their returns annually. This is done in the Intelligence Division—and take such steps to see that they pay their proper taxes.

Mr. EDWARDS. On page 3 of your statement, you mention the fact that the disclosure prohibitions in the code have handicapped your activities to some extent. I assume this is—well, in the exchange of information, as you say, between agencies, and so forth.

Do you recommend or have you recommended any changes in the law that would ease that situation?

Mr. KOLAR. I have recommended none in the period that I have been in Intelligence. I know of none that in the past have been recommended.

Mr. EDWARDS. Do you believe that there are any amendments to the law necessary which would of course be consistent with the right of an individual not to have his tax return spread out to the four winds?

Mr. KOLAR. I think we are doing the job the way it is. We have agreements with various States. If the Governor of a State requests information, the Commissioner will release it to him. I think the safeguards are necessary. There is no question in my mind. And certainly I would not hesitate, if I found a better way of doing it, or a way to ease them, but still give the citizens the protection and the security of his return—to suggest it to my superiors. I know of none at this time.

Mr. EDWARDS. You feel the right of protection that the individual citizens is entitled to outweighs what handicaps you may find in the law as it is written?

Mr. KOLAR. As of today I do, sir.

Mr. EDWARDS. Well, now, what would your advice be to a State that was considering legalizing horseracing, dogracing, or this sort of thing—no reflections on my chairman's State. It comes up in my State of Alabama frequently. Somebody wants to put in a dog track, down in Mobile, to keep all our citizens from going over to Pensacola and seeing the races over there.

What would be your advice? You have made quite a case here that gambling seems to be at the root of so much of the organized crime.

What would your advice be?

Mr. KOLAR. Well, I will put it this way.

I think that a sincere attempt should be made to wipe out gambling or it should be legalized. I am evading, to a degree, your question. But I do not see this middle road that we seem to be in. And if a State wishes to legalize it, I would see no problem there. I think that it should be carefully supervised, as all activities should be, by responsible officials.

But I would certainly not say don't to it.

Mr. EDWARDS. Well, of course people are going to gamble one place or another.

Mr. KOLAR. They certainly do.

Mr. EDWARDS. They gamble on football games. I don't suppose you would recommend doing away with college football.

In Nevada, for example, where gambling is supposed to be highly legalized and controlled, we still hear of numerous cases where big-name criminals are involved, or try to get involved.

Do you know any way to completely police gambling in a State where it is legalized?

Mr. KOLAR. I know of no way to completely police anything, really. I can only recommend that where we do have laws, that we do enforce them intelligently, but stringently. And I think this would make a big impact in the whole area, personally.

Mr. EDWARDS. Much of this would go to local law enforcement, would it not?

Mr. KOLAR. Yes, sir. In fact, I think that we would be pleased to get out of the wagering business if local law enforcement would assume a greater responsibility and make a greater impact. There is no particular glamor to being in the wagering field. I think the Federal Government has to fill in if the States have shown—the cities—that they have not been able to cope with the problem. And I think the Crime Commission report and others will bear out that they have not coped with the problem.

Mr. EDWARDS. Thank you, Mr. Chairman.

Mr. FASCELL. Mr. Vander Jagt?

Mr. VANDER JAGT. Are there any weapons in your war on organized crime that would be helpful to you that you do not now have?

Mr. KOLAR. That is a rather tough question, but I will do my best.

Certainly we do not have the use of electronic equipment. It is a very controversial subject. Certainly the administration has a position, and I certainly respect it, and we will live within it a hundred percent. The restrictions today on the use of electronic equipment are—let's say by the standards that previously existed—they are tough. It has been outlawed practically, except for only the nicest legal uses.

As an investigator, I think the tool would be valuable, the ability to wiretap under, let's say, strict supervision. And I say strict supervision. There is no question that it yields valuable information.

The other question is—does it invade privacy, and is it so distasteful that it should not be employed. I can only assume an investigator's position. I think I am a great respecter of privacy—and I say this is a tool that would be helpful. But certainly in the position I am in, I live within the rules laid down by the Congress and my superiors.

Mr. VANDER JAGT. Laying aside—not forgetting—but laying aside temporarily the problems of the rights of privacy, and the other constitutional safeguards—just laying those aside—would the use of electronic equipment measurably aid our war against organized crime?

Mr. KOLAR. In my personal opinion, yes, sir—especially in the wagering area, where you have the interstate—the laying off—the telephone in this instance has become an instrument of crime. This is my experienced view.

Mr. VANDER JAGT. In your opinion, are we winning the war against organized crime, are we losing it, or are we just managing to stay about even?

Mr. KOLAR. On the basis of all that has come to my attention in the year and 5 months, my other knowledge, I would say that we are losing it a little.

Mr. VANDER JAGT. What other steps would you recommend to see that we do not continue to lose this war?

Mr. KOLAR. I think that, first, we need—there are numerous laws on the books to cope with the problem, and I think we need intensified enforcement at the local State, and Federal levels. This is why I happen to be, let's say, an advocate of the Organized Crime Section of Justice, because I think it is through that Section that there has been an intensification.

I think that the protection of witnesses—I have to feel that it is deplorable that people are, first, afraid to come forward, and then when they do come forward, that we have to spend 20 and 30 men protecting their lives until the trial takes place. I don't know the answer—

except to provide some facility where these people can be housed and protected for as long as it is in the best interests of the Government.

I certainly think that an immunity statute within the revenue laws, giving immunity from prosecution, but not the payment of taxes, would be helpful in encouraging people to come forward and cooperate.

I think the Crime Commission recommendations are all excellent, would all be excellent aids and tools in helping to cope with the problem.

Mr. VANDER JAGT. I have gathered from what I thought was your very excellent statement—

Mr. KOLAR. Thank you, sir.

Mr. VANDER JAGT (continuing). And your testimony, that—well, let me make a statement, and you correct it if it is wrong. That really the key to the problem is better local law enforcement and more effective local law enforcement. That here in many areas is the weak link in the chain.

Is that a correct interpretation?

Mr. KOLAR. I don't think there is any question about it.

In addition, I might put in an unasked for plug for the policemen. I have been in this business 25 years in plain clothes. I have never felt that the policeman was adequately paid. I think they have probably one of the toughest, the most responsible, one of the most thankless jobs of any persons working for a government. And I think that—I would like to say, if you don't mind my saying it—that the better training, better pay, could not help but improve local enforcement.

Mr. VANDER JAGT. In your opinion, it certainly would improve morale?

Mr. KOLAR. There is no question in my mind, sir.

Mr. VANDER JAGT. Have the recent Supreme Court decisions in your opinion had any impact on the morale of the local police officer?

Mr. KOLAR. I think they have, but I am really not qualified, since I do not associate enough with them to say just what the conditions are. I would rather be careful with that answer, because the truth is I do not really know. I have heard they have. And I have seen statements to that effect.

Mr. VANDER JAGT. Thank you.

Thank you, Mr. Chairman.

Mr. FASCELL. Mr. Kolar, local law enforcement, in a basic sense, is the key to the problem. If we do not have, as has been proven many times, a nationally directed organized crime effort, it is obvious that combating organized crime as a whole is far and beyond the scope of the local municipal police department. So there are obviously great areas—and this is the reason we are here—with which the local police department or even the States cannot cope effectively unless somewhere there is an organized direction at the Federal level. The proof of the pudding is your own statement. Sixty percent of all the organized crime convictions are through Internal Revenue Service. Mr. Peterson told us, at our last hearing, that these guys are getting smarter—they do not want to go out and plug people—that makes them easily vulnerable. So they are getting more—what shall we say—computerized and sophisticated. And it is going to be tougher and tougher to control them.

The organized crime executive is not a mugger.

Mr. KOLAR. That is true.

Mr. FASCELL. And he is insulated from the acts. So it would appear that his main weakness is his greed and his willingness to gamble, if you will, with the Internal Revenue laws. Therefore enforcement of these laws is going to be an important bulwark of the fight against organized crime in the future, as it has been up until now.

Do you agree with that?

Mr. KOLAR. I certainly do.

In fact—maybe I can illustrate what I think is one of the things that needs to be done.

We have made a local study of the infiltration of organized crime in legitimate business, and we hope to make further studies.

Certainly all other agencies have some information in this area. And I would like to see the Department of Justice collect all that data, so that we really know exactly what we have to cope with, and what the problem is.

Mr. FASCELL. I would concur with you. We think that is vital.

Now, do we have this criminal data on a centralized computer anywhere or data processing equipment that is immediately available to IRS, Justice, local police departments?

Mr. KOLAR. No, not to my knowledge. We have only our own studies.

Mr. FASCELL. How about FBI information? Is that immediately available, off the automatic data processing equipment, to IRS?

Mr. KOLAR. I would not know that, sir. I would guess it certainly is not available off data processing equipment. But I want to make sure that I am not misunderstood in that area. We have a tremendous relationship with these other agencies. And in my year and 5 months, I have not seen real friction; in fact, I am convinced every time there is a problem, if people would just sit down and talk about it, it gets solved, and everybody is reasonable.

Mr. FASCELL. Mr. Kolar, let me assure you I am not looking for friction, I am looking for efficiency. It seems to me if you are the head of the Intelligence Division, and you are working on thousands of cases, and making 60 percent of the prosecutions that are successful, that you would have—ought to have the benefit immediately of all the investigative reports of any agency. I don't know that it ought to be on request necessarily, or on a case by case basis. I assume that is what you are telling me. Or that you don't even get it?

Mr. KOLAR. One never knows what he doesn't get. I only know what we do get. And it seems adequate under the present system. There is no question that—we could give more and others could give us more. No one really—

Mr. FASCELL. In other words, what you are telling me is you do your own investigations and you are responsible for the successful prosecution of your own case, other investigative agencies of the Federal Government, to the contrary notwithstanding.

Mr. KOLAR. I guess it could be put that way.

Mr. FASCELL. In other words, I have stated it correctly. So in addition to all the other problems we have, now we find that every investigative unit is probably duplicating investigations beyond belief.

Mr. KOLAR. Let's say to the extent that the Organized Crime Section does not see this duplication, or doesn't correct this duplication, it exists, I am sure.



Mr. FASCELL. If the OCRS does not get the benefit of information from all the investigations that are performed by either IRS or the Bureau, or whatever other agency is involved then they are processing and coordinating only a certain percentage of the total sum of information being gathered and collected by all these investigative agencies. If the OCRS sees only a percentage of this information, it is likely that they are not even aware of much of the duplication. It seems somewhat less than desirable for all this mass of intensive investigative effort to continue without some coordination.

Mr. EDWARDS. Would you yield right there, at that point.

Mr. FASCELL. Yes, sir.

Mr. EDWARDS. Do you, as a matter of practice, when you are preparing to make a case against John Doe, inquire of the FBI and the Organized Crime Section what they might have on this individual?

Mr. KOLAR. Yes.

Mr. EDWARDS. In other words, you make this inquiry yourself?

Mr. KOLAR. We institute the inquiry.

Mr. EDWARDS. As a normal part of your investigation.

Mr. KOLAR. And if they know we are working on somebody, they volunteer information if they run into it in the course of the investigation we are making.

Mr. EDWARDS. Well, now, if they know, is there a missing link there—should they know earlier? Should there be a procedure whereby you would make known automatically to these other investigative agencies that you are after a given individual?

Mr. KOLAR. It would be helpful from a disseminating standpoint. There is no question about it.

Mr. EDWARDS. But there is no present guideline that would call for that. Is that what you are saying?

Mr. KOLAR. I know of no present guideline.

Mr. EDWARDS. Thank you.

Mr. FASCELL. Of course a case could be made for separate investigations on the theory that you have separate ultimate aims. In your case, a separate investigation would be made for prosecuting a violation of the tax laws. There might be an entirely separate investigation by the Bureau or the same individual for a different reason. That is conceivable.

You recognize the difference, in discussing gambling as a major source of the profits of organized crime—the difference between legalized parimutuel wagers and open gambling, crap table gambling, and so forth?

Mr. KOLAR. Yes.

Mr. FASCELL. Do we have any evidence around the country, for example, of the infiltration of organized crime in the parimutuel wagers?

Mr. KOLAR. I have none at my disposal.

Mr. CARNEY. In 1963, we arrested about 200 track bookmakers in Chicago, who were—

Mr. FASCELL. That was illegal on-track betting?

Mr. CARNEY. That is right. But we have no indication there is any hoodlum infiltration in legal track betting.

Mr. FASCELL. How about open-type gambling, where it is legalized, or lotteries, where they are legalized. Is there any information that organized crime has moved into those areas?

Mr. KOLAR. Only the information that comes out with respect to Las Vegas.

Mr. FASCELL. I just read somewhere seven persons were indicted, were they?

Mr. KOLAR. Yes, sir.

Mr. FASCELL. For skinning off the top.

Mr. KOLAR. Yes.

Mr. FASCELL. Not properly reporting the gross to the State for tax purposes.

Mr. KOLAR. Right. To the Federal Government. Evading Federal income tax is the charge.

Mr. FASCELL. So this is an ongoing case now?

Mr. KOLAR. Yes.

Mr. FASCELL. That is the only evidence you have of that?

Mr. KOLAR. Yes, sir.

Mr. FASCELL. Do you have any public official designated as part of the organized crime drive?

Mr. KOLAR. Again, I do not have that particular statistic with me. I believe we would have. But I do not really—I cannot positively say yes or no at this point.

Mr. FASCELL. Do you know as of right now whether or not you have any State official, public official, designated as a member of the organized crime drive?

Mr. KOLAR. Well, was your first question with respect to a Federal official?

Mr. FASCELL. Any public official. Now, I am just zeroing in.

Mr. KOLAR. All I can say is we have in the past, but I do not know exactly what is in the organized crime area with respect to public officials today. I would be pleased to check.

Mr. FASCELL. Do you know of your own knowledge as of right now whether or not any Federal public official, either administrative or legislative, has been designated as part of the organized crime drive?

Mr. KOLAR. I do not know at this point. If I had to guess, I would say no.

Mr. FASCELL. Would you supply us that information for the record?

Mr. KOLAR. Be pleased to.

Mr. FASCELL. In all three counts. Public officials generally, State officials, Federal officials.

We are not interested in the names. We just want to know whether or not anybody has been so designated and is under concentrated surveillance.

Mr. KOLAR. Be glad to furnish that, sir.

Mr. FASCELL. Thank you.

(The information requested of Mr. Kolar follows:)

The Intelligence Division has investigated a number of public officials. The following are presently included in the organized crime drive category:

Public official	Presently under investigation	Pending completed investigations—		Total
		With Department of Justice	With U.S. attorney	
Federal.....	0	0	0	0
State.....	0	3	0	3
Local.....	7	9	2	18
Total.....	7	12	2	21

Mr. FASCELL. Mr. Kolar, exactly just what happens when an individual is designated by IRS and the Attorney General for Compliance—is it—the Assistant Attorney General for Compliance—

Mr. KOLAR. The Assistant Attorney General, Criminal Division.

Mr. FASCELL (continuing). Approves the designation? Exactly what happens at that point, as far as your Department is concerned?

Mr. KOLAR. We instruct the Intelligence Division in the field. Communication goes out from my superior to the district director of Internal Revenue requesting that an OCD-type investigation be made of this individual. We say OCD-type—we mean it is just more thorough than the average investigation. Greater depth—

Mr. FASCELL. You are looking for unusual angles, too?

Mr. KOLAR. Yes; that is exactly right. Not only that, but it takes three times as long, and it is exceedingly difficult. But at least the instructions go out to the district director from the Assistant Commissioner, Compliance. One of the reasons that these people are involved is that the Assistant Commissioner, Compliance, is the only one that can authorize the releasing of tax information to the Department of Justice, at their written request.

The instructions go out to the District Director, as I pointed out before with respect to Mr. Edwards' question. The investigation is instituted. We receive 45 day reports. They are reviewed by our organized crime coordinators in Washington. They are reviewed by the regional organized crime coordinator. They go over to the Department of Justice, Organized Crime Section, for review.

Certainly, even during that period, you have the organized crime attorney from Justice in many cases on the scene while the investigation is going on, and working very closely with the investigator.

After the investigation is completed, the special agent may recommend prosecution, in which case the report would go to the assistant regional commissioner intelligence, in the regional headquarters. It is reviewed. Whether he concurs or not, the report must go forward to our regional counsel, because it is an organized crime drive subject. In the normal tax case, the assistant regional commissioner intelligence can say, "I disagree with the field, there is no prosecution here," and the case is finished. The organized crime case goes to the regional counsel. If regional counsel agrees with the recommendation for prosecution the case goes to the Tax Division of the Department of Justice with a copy to the Criminal Division. If regional counsel does not

agree with the recommendation for prosecution, the case goes to the Criminal Division with a copy to the Tax Division of the Department of Justice. Organized crime drive investigations are not closed by Intelligence without prior approval of the Organized Crime and Racketeering Section of the Criminal Division, Department of Justice.

Mr. FASCELL. Let me ask you this at this point. This procedure suggests to me that the investigator makes the case.

Mr. KOLAR. The investigator makes the case—the investigator in the Intelligence Division recommends prosecution—

Mr. FASCELL. Well, now—

Mr. KOLAR (continuing). Or not.

Mr. FASCELL. I know they are experts as investigators. Obviously you have not encountered any particular problem in making the case on the ones somebody has decided the case ought to be made against. But at what point does the prosecutor, as a lawyer, come into the matter to determine making the case?

Mr. KOLAR. Well, if by the prosecutor you mean the U.S. attorney—

Mr. FASCELL. Whoever is going to handle it as a lawyer. I know if I am charged with the responsibility of a case, I want to tell my investigators what to do and how to do it. Let them investigate; let me worry about the case.

Now, the procedure you have described is the other way around. As a lawyer I would be handed an investigative file with a recommendation by the investigator whether or not I ought to prosecute.

Mr. KOLAR. It would be a recommendation by the investigator that has been agreed upon up the line by the various levels of review.

Mr. FASCELL. The system must work. You have 60 percent of all the convictions.

Mr. KOLAR. It works. It is a little frustrating at times.

Mr. FASCELL. It sure must be frustrating for the lawyers, I will tell you that.

Mr. KOLAR. It is even worse sometimes for the investigator. After he has spent 2 years to find that he does not have a case in the opinion of the attorneys.

Mr. EDWARDS. Two questions.

First, along that line—is it quite possible that the attorney may very well send the file back to the investigator for additional work?

Mr. KOLAR. Yes.

Mr. EDWARDS. In other words, he says, "You have not looked into this point or that point, get the file back down there, and do some more work."

Mr. KOLAR. That is very possible.

Mr. EDWARDS. Secondly how long does this procedure take? This seems like a real chain of command that you are carrying those things through. After the investigator finishes his work—he has reported every 45 days, he is now through. How long does this chain of command take to get to where somebody really decides "We are going to go after this individual."

Mr. KOLAR. It would be hard to make a statement covering all of them. It depends—some would take, I would suspect, a year or more, and others would be done more swiftly. A lot of it would depend on the complexity of the case, and I guess the workload of the various

attorneys reviewing it. There would be a lot of factors. It is a time-consuming process.

However, there are good arguments for having it, and that is the protection of an individual against an unjust prosecution in the tax evasion area.

In most agencies reports go directly from the investigator to the U.S. attorney, and the prosecution is the decision of the U.S. attorney. The tax case goes through a very complex procedure of reviews, and the prime purpose being to assure that only those taxpayers who should be prosecuted for tax evasion are.

Our 60 percent figure covers a lot of waging cases, and on those we go directly to the U.S. attorneys.

Mr. FASCELL. We will give you credit for all of them.

Mr. KOLAR. We appreciate all the credit we can get in this tough business.

Mr. FASCELL. Mr. Kolar, we have a lot of other questions, obviously, the subcommittee wants to ask you. But Mr. Serr is here, and he has quite a statement for us with exhibits. If it is all right, we would like to put Mr. Serr on, let him get his basic information on the record. And then if necessary we would like to get back to you for further questioning. Will you be available this morning, to stay with us?

Mr. KOLAR. I certainly will.

Mr. FASCELL. I would appreciate it. I would hope we can get through with you two gentlemen today if it is at all possible.

Mr. KOLAR. I am available at any time. And if I can be of assistance, fine.

Mr. ST GERMAIN. Mr. Chairman, that is an unusual statement. And I think the gentleman should be commended for it.

Mr. FASCELL. I agree with you, Mr. St Germain. I thank you, sir.

Mr. EDWARDS. It must come from his experience on the Senate subcommittee.

Mr. KOLAR. May I put into the record a letter from a chief of police in Beaumont, Tex., to the District Director of Internal Revenue, where he expresses as nicely as I have ever seen, his appreciation for our cooperation.

Mr. FASCELL. Yes, sir, Mr. Kolar, without objection we will put it in the record and advise Congressman Brooks that it is there.

(The letter referred to by Mr. Kolar follows:)

CITY OF BEAUMONT, TEX.,  
POLICE DEPARTMENT,  
March 15, 1967.

Mr. WILLIAM KOLAR,  
Director of Intelligence Division,  
Internal Revenue Service, Washington, D.C.

DEAR MR. KOLAR: Enclosed, herewith, you will please find copy of my letter directed to Mr. R. H. Phinney, Director of Internal Revenue Service, Austin, Tex., concerning assistance given this department by the Intelligence Division of the Internal Revenue Service.

Please be assured of my very sincere and humble desire to adequately express how very grateful we are for the assistance rendered us by the Intelligence Division of the Internal Revenue Service, to the end that we honestly and truly do have a moral atmosphere in which to live and rear our children. For this we are, of course, so very deeply grateful.

Sincerely yours,

WILLIE BAUER, Chief of Police.

CITY OF BEAUMONT, TEX.,  
POLICE DEPARTMENT,  
March 15, 1967.

Mr. R. H. PHINNEY,  
Director of Internal Revenue,  
Austin, Tex.

DEAR MR. PHINNEY: There comes a time, I think, in the life of every police executive when he is faced with the almost insurmountable desire to draft an appropriate letter of appreciation wherein there appears to be no adequate means with which to effectively express or describe his very deep sense of gratitude. This, I assure you, is one of those times for me.

No one knew any better than I did, upon assuming the duties of chief of police here in Beaumont some 6 years ago, how monumental and critical the task that lie ahead in reducing, to nonentity, a vice machine of more than 30 years' duration.

Knowing full well that a journey of 1,000 miles begins with the first step; that the good people of Beaumont would support honest law enforcement, and realizing that assistance from the U.S. Treasury Department had already begun to make itself known in the form of aiding our narcotic investigations, we began the task of building a new image for our police officers to the end that, thanks to your continued support and assistance throughout the intervening years, we not only have a community in which there is no organized vice but, in addition and by reason of, we have one in which the moral climate has been so vastly improved that it is now recognized as a fine place in which to live and rear children—not to mention our economic advances.

I have made it no secret and seldom, if ever, have missed an opportunity to say publicly that had it not been for the outstanding assistance provided us by the Intelligence Division of the Internal Revenue Service, and particularly in the persons of Mr. William T. Hughes and Mr. R. C. Sawyer, we would not today be looking back upon an era which, for all intents and purposes, ended after 6 long years of hard work when Walter Sekaly went through the gates of Seagoville to begin serving a sentence which many had said publicly would never begin.

Yes, thanks to the Intelligence Division of the Internal Revenue Service; to Mr. Hughes and Mr. Sawyer, we, here in Beaumont, can truly say that we honestly do have a good place in which to live and rear our children.

True, many will never know of your outstanding assistance and maybe this is as it should be, I don't really know, but I can tell you one thing I do know and that is, it is awfully, awfully comforting for any police chief to know that assistance from the Intelligence Division of the Internal Revenue Service in combating organized vice is as near as the telephone.

There are, of course, no words within my limited vocabulary with which to adequately express my very deep and sincere appreciation for your assistance. I do hope, however, that you will be kind enough to accept this communication as my very humble and sincere means of saying: "Thank you and God bless you and yours."

Sincerely yours,

WILLIE BAUER, Chief of Police.

Mr. FASCELL. Mr. Serr. Would you come up to the witness table. We will be very happy to hear from you.

STATEMENT OF HAROLD A. SERR, DIRECTOR, ALCOHOL AND TOBACCO TAX DIVISION, ACCOMPANIED BY THOMAS CASEY, CHIEF, ENFORCEMENT BRANCH, OFFICE OF ALCOHOL AND TOBACCO TAX DIVISION; AND JOHN McCARREN, OFFICE OF CHIEF COUNSEL, INTERNAL REVENUE SERVICE

Mr. SERR. Thank you, Mr. Chairman.

Mr. FASCELL. Mr. Serr, you have a rather lengthy statement with considerable exhibits. If you would like, we could submit the entire statement with the exhibits for the record, and then you can summarize, in the interests of time. We do not want you to leave out anything that you consider important. But I believe that perhaps you

could cover the same ground just as easily and in less time, and perhaps give us a little better opportunity to get to questions.

Mr. SERR. Very good.

Mr. FASCELL. Without objection, we will put your entire statement in the record with the exhibits at this point and allow you to summarize in any fashion that you may desire.

(The prepared statement of Mr. Serr with attached exhibits follows:)

PREPARED STATEMENT OF HAROLD A. SERR, DIRECTOR, ALCOHOL AND TOBACCO TAX DIVISION

ORGANIZATION AND MISSION

The Alcohol and Tobacco Tax Division is one of the operating divisions in the Internal Revenue Service. The Division is responsible for the administration and enforcement of the laws and regulations relating to liquor, tobacco, and firearms. To meet this responsibility, the Division is divided into what are basically known as the Enforcement and Permissive Branches. The Permissive Branch is primarily concerned with protecting the revenue derived from both liquor and tobacco, and in controlling particularly the liquor industry through the issuance of basic permits, regulating advertising and labeling, providing onpremise supervision of production, packaging, and storage at distilleries, and in the regulation of the tobacco industry. On the other hand, the Enforcement Branch has the responsibility for carrying out an investigative and preventive program relating to violations of those internal revenue laws that govern the production and distribution of distilled spirits, wines, fermented malt liquor, and tobacco, as well as enforcing the National and Federal Firearms Acts, the Federal Alcohol Administration Act, and sections 1261 through 1265 of chapter 59, title 18, United States Code, entitled "Liquor Traffic," which includes the Liquor Enforcement Act of 1936. (Attachment No. 1.<sup>1</sup>)

The history of the enforcement branch actually dates back to Civil War days when the first Commissioner of Internal Revenue was appointed and three "detectives" were hired to investigate the illicit manufacture of distilled spirits. This investigative function continued through all the ensuing years and gained prominence during the prohibition era when gangsters took over the manufacture and distribution of illicit liquor. These criminals formed large syndicates and combinations in what may be termed the forerunner of "organized crime" as it is known today. With the repeal of prohibition in 1933, the investigative force was merged with the permissive function under the title of Alcohol Tax Unit. When the tobacco functions were added to the Alcohol Tax Unit in 1952, the resulting organization became the Alcohol and Tobacco Tax Division. The attached statistical chart shows the total seizures and arrests for liquor violations for the period of 1935 through 1966. In fiscal 1966, Division investigators made 7,548 cases, of which 5,273 involved the seizure of illicit distilleries, and the arrest of 6,788 criminals. Included in this case total were 466 violations of the firearms laws. Today, 71 percent of all violations of the internal revenue liquor laws occur in the seven Southeastern States. (Attachments No. 2 and No. 3.<sup>1</sup>)

To meet the current enforcement responsibilities, the Division has an investigative force of approximately 975 men, stationed at selected posts of duty throughout the Nation. Our greatest concentration of manpower is in the Southeast, where we find the greatest number of violations. Because the enforcement of the liquor laws has proven to be the most hazardous of any Federal law enforcement endeavor, appointments to the position of special investigator are very selective. The investigators are thoroughly trained and supervised. Their average age is approximately 38 and they have a wide range of experience in outside fields of endeavor which provides them with a firm foundation for almost any type of an investigative assignment. The men are, for the most part, extremely adept at undercover work. Morale is high and the force willingly maintains a high degree of mobility. (Attachment No. 4.<sup>1</sup>)

<sup>1</sup> Attachment No. 10 appears on p. 92.

## DIVISION'S PAST EFFORTS AGAINST ORGANIZED CRIME

The enforcement of the internal revenue liquor laws has for many years brought investigative personnel of the Division face-to-face with well-known and large-scale criminals. As I mentioned earlier, this confrontation began during prohibition when racketeers, rich and powerful as the result of their illicit liquor traffic, were making their presence felt at every level of public life. For a short period after the repeal of prohibition, the syndicates continued to operate large illicit distilleries throughout the United States. However, a great crusade against all forms of racketeering was spearheaded by the Treasury Department in 1933. The brunt of this campaign was carried by the Alcohol Tax Unit. Within a few years, the backbone of illicit distilling by syndicate members was broken in most of the United States. But the complete task took time. Pockets of resistance remained in the Northeastern section of the United States where investigators continued to detect and seize large illicit column distilleries owned and operated by organized crime members.

Recognizing that only one remaining pocket of syndicated illicit traffic remained around the metropolitan areas of the Northeast, the Division launched a program in 1958 aimed at identifying and placing under "round-the-clock" surveillance the financiers of large illicit distillery operations. Our efforts in this field were later coordinated with the Organized Crime and Racketeering Section, Department of Justice. Throughout Pennsylvania, New Jersey, New York, and all of New England, our investigators literally put high-ranking criminals "to bed at night and got them up in the morning." The results were found in the indictment and conviction of several syndicate members for liquor violations, including Joseph "Pop" Pritchard, a trusted follower of Al Capone, Nicholas Barbone, and Augustine Mazzio. The large column distilleries, once so prevalent in the area, disappeared from sight and the syndicate was reported to be putting its money into gambling, loan-sharking, and narcotics. Our efforts against organized crime were recognized in a commendatory letter received by the Division in December 1959 from William G. Hundley, then Chief of the Organized Crime and Racketeering Section in the Department of Justice. (Attachment No. 10.<sup>1</sup>) With the successful conclusion of our drive in the Northeastern section of the United States, our limited investigative staffing had to be shifted to provide additional manpower in the Southeast States where it was urgently needed.

The Alcohol and Tobacco Tax participation in the war on "organized crime" from 1958 until the fall of 1966 has not been publicized, although the Division was actually quite involved in the organized crime drive program. During those years, notorious criminals in other parts of the Nation were feeling the effects of our efforts. Samuel "Alky Sam" Rosencranz, with violators from New Jersey, New York, Massachusetts, and Maine, was arrested for a column distillery in Maine. Percy Flowers, the North Carolina bootlegger who had grown so powerful that his influence was felt in high State political circles, tumbled to an undercover investigator from New York who posed as a member of the New York syndicate. Fritz Marks of Norfolk, Va., was sentenced to 8 years in State prison for operation of an interstate abortion ring as a result of evidence uncovered by investigators while investigating him for violation of the internal revenue liquor laws. In 1955, Florida State Circuit Judge C. E. Chillingsworth and his wife disappeared from their oceanfront home in West Palm Beach, Fla. It was assumed they had been murdered but their disappearance remained a mystery until an undercover investigation was started by an A. & T.T. investigator which led not only to the arrest of 60 bootleggers but the eventual solving of the Chillingsworth murders.

Isadore "Kid Cann" Blumenfeld, whose crime syndicate had reigned supreme in Minneapolis, Minn., for years, was tried and convicted for violation of the internal revenue liquor laws through the filing of false representations as to the ownership of several wholesale and retail liquor establishments in Minneapolis. In Chicago, Frank "Hot Dog" Lesclandrello, top crime syndicate hoodlum, was convicted for the same type violation even though other Federal agencies had tried unsuccessfully for years to put Lesclandrello in prison. Kansas City racketeer Frank LaRocca was sentenced to 5 years in a Federal prison for perjury as an outgrowth of an investigation of a Federal Firearms Act violation. Lewis "Black Louie" Cangoles, the No. 2 racketeer from Kansas City, was arrested with two companions for violation of the Federal Firearms Act in an investigation stretching from Kansas City into the middle of South Dakota.

<sup>1</sup> Attachment No. 10 appears on p. 92.



In Florida, investigators seized two antitank guns plus other weapons and arrested Thomas Wilcoxsen. The resulting investigation led through four regions with the eventual identification of Robert Wilcoxsen and Alfred Nussbaum as the two men who had robbed two banks in Buffalo and one in Brooklyn, where they had killed a bank guard, using a Thompson submachinegun. In another instance, six members of the Mannarino mob in Pennsylvania, operating from New York City to Miami, established a gunrunning organization where the guns were flown in a private plane from West Virginia to Florida. This was part of the large-scale movement of guns to Cuba during the overthrow of Batista by Fidel Castro. The resultant investigation by the Division brought about the sentencing of five of the men to Federal prison for 5 years while the sixth received a 3-year sentence.

Between 1961 and 1965, the Division conducted many other investigations on the hidden ownership of major criminals in the legitimate retail and wholesale liquor business. Eleven of these investigations were at the request of the Organized Crime and Racketeering Section and approved by the Attorney General. One of the individuals subjected to investigation was a member of the famed Apalachin meeting in Apalachin, N.Y., in 1957 which was raided by New York State Police who were accompanied by one of our investigators. Even though these were extremely difficult investigations, prosecution was recommended in eight of them.

In addition, the Intelligence Division drew heavily on the highly experienced investigative staff of the Alcohol and Tobacco Tax Division to spearhead their attempts to penetrate syndicate gambling lairs through the use of undercover agents. The repeated success of these A. & T.T. investigators is best exemplified by the 1961 investigation of Gabriel and Samuel Mannarino, racketeers and hoodlums who controlled the city of New Kensington, Pa., where A. & T.T. investigators were able to infiltrate Mannarino's gambling casino and gather evidence against them. This is the same group involved in a gunrunning case which we made in 1959.

#### DIVISION'S PRESENT EFFORTS AGAINST ORGANIZED CRIME

On November 28, 1936, a Service internal document, Manual Supplement 72G-48 (attachment No. 5<sup>1</sup>), was issued and for the first time the Alcohol and Tobacco Tax role in the organized crime drive was clearly defined. The enforcement objective was spelled out as being that of suppressing criminal activities in the United States by—

- (1) Perfecting criminal cases against highly organized groups engaged in illicit liquor or illicit alcohol continuous-process distilling operations in the southeastern and northeastern sections of the country. The selection of these groups is confined to those whose operations are of such magnitude as to constitute a substantial fraud on the revenue.
- (2) Perfecting criminal cases against the racketeering element having concealed interest or control in restaurants serving wine, beer, or liquor; taverns; nightclubs; wine, beer, and liquor distributorships; or any other activity of the legal wine, beer, and liquor industries.
- (3) Perfecting criminal cases regarding firearms possession or firearms transfer violations by hoodlums and racketeers.
- (4) Perfecting criminal cases against public officials who aid and abet the criminal element in violating laws coming within the jurisdiction of the Alcohol and Tobacco Tax Division.
- (5) Perfecting criminal cases against hoodlums and racketeers who occasionally or coincidentally while conducting other illegal activities violate the laws enforced by the Alcohol and Tobacco Tax Division.
- (6) Assisting other law enforcement agencies in their efforts to combat and suppress crime.
- (7) Furnishing assistance in the suppression of crime particularly in the following areas listed by the Attorney General of the United States as requiring special attention: New York, Pittsburgh, Philadelphia, Boston, Miami, Tampa, New Orleans, Chicago, Kansas City, Detroit, Los Angeles, Las Vegas, Cleveland, and the State of New Jersey.

These objectives were worked out in conjunction with the Organized Crime and Racketeering Section, Department of Justice. It should be noted that the Division has found that serious crime does not necessarily mean syndicate sponsorship or involvement. While we recognize that in most parts of the Nation sustained

<sup>1</sup> Attachment No. 5 appears on p. 88.

criminal activities on a large scale can only exist through the payment of tribute to (or involvement by) the reigning syndicate in that geographical area, we also know from experience that there can be large-scale liquor or firearms violations in which the principals act independently of the syndicate. Our program was designed to cover both, and it is toward this end that our investigations are directed.

Our first organized crime drive investigation under Manual Supplement 72G-48 was authorized on October 16, 1966, and since that time we have authorized 28 additional investigations, all recognized by the Organized Crime and Racketeering Section of the Department of Justice as falling within their concept of an OCD case. Of this number, four of these investigations are of large moonshining rings in the southeast region. These four gangs, between them, are placing approximately 17,800 gallons of illicit whiskey on the market each week, representing a weekly potential tax fraud of approximately \$187,000. Two other illicit whiskey investigations, both with syndicate involvement, are underway in the North Atlantic region, while a similar investigation is in progress in New Jersey of the Mid-Atlantic region.

Thirteen of the current investigations involve syndicate ownership, hidden or otherwise, in retail liquor establishments. These investigations are fairly well sprinkled throughout the United States and individuals involved rank high in the syndicate membership. These establishments not only provide the owners with an air of respectability but serve as key communication centers from which syndicate members can direct their other criminal activities. However, proof of hidden ownership is extremely difficult, often requiring extensive surveillance and the untangling of financial arrangements to offset the corporate structure now being employed by the syndicate to avoid pinpointing individual financial interests in the establishment. So far, we have been successful in three of the 13 investigations, some of which have only been initiated within the last 30 days. For the most part, firearms violations are of an individual nature and involve the criminal's possession and/or sale of an automatic weapon, a sawed-off shotgun or similar weapon in violation of existing laws or his causing any weapon to move in interstate commerce. The National and Federal Firearms Acts were originally designed to keep such weapons out of the hands of the criminal element. Toward this end, we have authorized six OCD investigations involving firearms violations wherein the principal subjects are suspected of supplying firearms to syndicate members or are syndicate members charged with possession of weapons in violation of either the National or Federal Firearms Acts. The interstate commerce aspects of such investigations present unusual problems in that successful prosecution hinges on positive proof that the felon did in fact transport a firearm across a State line (or caused it to be transported) in violation of the Federal Firearms Act. In most instances, the case originates from an inspection of the records of a firearms dealer who must record the name and address of each purchaser of a firearm. Often the felon will give a fictitious name and address which makes identification and apprehension almost impossible. If the felon gives his correct name and address, the investigator must still locate the individual and, through questioning, prove that the gun was carried across the State line. Under the current judicial restrictions for questioning a suspect, the possibility of the suspect's admitting that he did indeed purchase the gun and move it in "interstate commerce" is very remote. One of the weaknesses of the existing Federal Firearms Act is that it permits such sales to "out-of-State" customers and places little or no burden on the dealer to ascertain the true identity of the buyer before the sale is consummated. The administration is aware of this weakness in the statute and has recommended greatly needed changes.

One of the more sinister aspects of organized crime and the illicit liquor traffic is the bribery of some public officials and local law enforcement officers by violators in order to insure protection against detection and apprehension. Although it is an exceptional case when this happens, the Division has found it necessary to include such public officials or local law enforcement officers as defendants in some of our liquor cases. Such investigations are never tasteful or rewarding, but they must be made if we are ever to gain the confidence of the citizenry. Three of the current OCD cases fall within this category, with the most notable being a bootlegging ring headed by James E. "Bookie" Turner, police commissioner of Chattanooga, Tenn. A Federal indictment has been returned charging Turner and two of Tennessee's largest bootleggers with a conspiracy to violate the internal revenue liquor laws. The case is awaiting trial.

## THE FEDERAL EFFORT AGAINST ORGANIZED CRIME

## ASSISTANCE TO OTHER LAW ENFORCEMENT AGENCIES

The dependence of every State on taxes imposed on the legitimate liquor industry as part of the State revenue and the interest of every police officer in the illegal possession and use of firearms places the Division in an unusual position, insofar as Federal agencies are concerned, of having a common cause with local and State police officials. Because of this, the Division has always stressed that the street between our investigative force and that of local (and other Federal) enforcement agencies be designed for two-way traffic. We must not only be able to ask the police department or State police for intelligence or assistance during our investigations, but we must also be ready to respond when a similar request is made of us. The achievement of such a working relationship has not always been easy, but the Alcohol and Tobacco Tax Division has enjoyed over the years an enviable and productive association with local, State, and other Federal law enforcement agencies, even before our "official" advent into the organized crime drive. As an example, the Division last year made several firearms surveys in large cities. The intelligence gathered was of great interest to the local police in each of the cities. This naturally strengthened the cooperation between our forces. The first survey was made in the District of Columbia and disclosed the ease with which guns could be acquired in adjoining areas and transported into the District. As a result of the survey, one of the adjoining counties in Maryland passed additional local legislation restricting the sale of firearms. District of Columbia police used the information gathered in furtherance of their local police work. In Chicago, where the police were apprehensive of the problem facing them because of racial unrest in the city, our investigators contacted every firearms dealer licensed under the Federal Firearms Act in Chicago and the suburbs and checked their records in an effort to determine the flow of handguns into Chicago. Information developed in the survey was turned over to the Chicago police who found it to be of great value in their enforcement of city statutes controlling the acquisition and possession of guns. The information also permitted them to better assess their riot-control capabilities. A similar survey was conducted in Boston where A. & T.T. investigators uncovered the source of several of the guns used to commit some of the 28 gangland-style murders that city had experienced in recent months. This evidence was instrumental in the successful completion of some of the police department's investigations. These surveys disclosed the need not only of better Federal firearms controls, but the need of tighter State and local laws.

Our investigators, as a byproduct of their every day efforts, turn up evidence not only of extensive gambling operations but also bring to light data on crime activities of great importance to local law enforcement agencies. In Worcester, Mass., three associates of a major criminal, under investigation for violation of the Federal Firearms Act, were under surveillance by A. & T.T. officers. The three suspects left the motel under surveillance and robbed a nearby construction company of \$8,000. Information furnished by our men led to the identification and arrest of two of the suspects within an hour of the robbery. In another instance in New England, we uncovered the source for pornographic movies and gave this information to the local police. During the first 2 months of our program, over 2,500 referrals of potential firearms violations were made to local enforcement authorities. This number continues to mount every day. During the 3-month period of January through March 1966, hundreds of suspected violations of other Federal and State or local laws were referred to the proper agencies.

There is little doubt that these referrals will increase as time goes by. Criminal activities are usually intermingled and, as a result, it is impossible for the investigator to work on one phase of the criminal's activity without being exposed to evidence of other violations by the same individual or by associates. Many of these violations will be of local or State laws. Failure to provide a complete and immediate report of any information to the responsible authorities would constitute a dereliction of duty on the part of any law enforcement officer.

## COOPERATION WITH OTHER FEDERAL AGENCIES

There has always been cooperation between the Division and other Federal law enforcement agencies. The Secret Service has drawn upon our men many times for additional manpower to provide protection to the President or other dignitaries. I have mentioned earlier the use of our investigators by the Intelligence Division. For years we have worked closely with investigative personnel

of the U.S. Bureau of Customs on cases where firearms are being smuggled in or out of the United States. The latest case of this type in which customs agents moved side by side with A. & T.T. investigators concerned the movement of automatic weapons from Canada into the United States where they were sold to one of our undercover men. Last year we assisted postal authorities in unveiling a large mail fraud ring where firearms were offered for sale. Requests for the importation of weapons requires us to be in almost daily contact with State Department officials.

Within the Department of Justice, the Organized Crime and Racketeering Section has provided the Division with continued support and guidance. The section has, on many occasions, assigned one of its members to assist us in the development or prosecution of a case. The trial of James E. "Bookie" Turner in Chattanooga will be conducted by a special prosecutor from the Organized Crime and Racketeering Section. In one of our investigations of a crooked sheriff in the South they supplied us with the services of an attorney who was an expert in the legalities of granting immunity to witnesses during our presentation of the case to the grand jury. Presently, the section is supplying our field personnel with invaluable intelligence on syndicate members under investigation. This intelligence, collected by the section from varied sources, supplements that which we have gathered and enables us to do a more effective job.

#### IDEAS FOR IMPROVING ENFORCEMENT

##### (1) *Overcoming public apathy*

The most difficult obstacle facing all law enforcement agencies today is the public apathy toward crime and the law violator. This has sounded so often lately that many persons are beginning to believe that the obstacle is insurmountable. Such is not the case. The enforcement of the liquor laws has been handicapped by public apathy since Civil War days. Moonshining and bootlegging has too often been accepted as a way of life. We were aware that we had to break through this wall of complacency if we were to make substantial headway in controlling the nontaxpaid liquor traffic. In 1957 we initiated a vigorous publicity campaign designed to alert the public to the dangers of moonshine whisky, both insofar as consumption was concerned and the relationship between moonshining and other crimes. Wide distribution was made by the investigative force of well-designed and eye-catching posters. (Attachment No. 6.<sup>1</sup>) But even this did not have the desired effect of reducing the number of moonshine violations. With the moonshining problem centered in the Southeastern States, the Division embarked on a drive in 1961 designed to drastically reduce the illicit liquor traffic in a given State as a test measure of an enforcement effort built around the support of the honest citizen and local law enforcement officer. South Carolina was the State selected for a number of reasons:

- (1) Taxpaid liquor could be purchased in every county of the State so a measurement of our success or failure could be made;
- (2) The State was one of the top five States in the United States in the production of illicit whisky; and
- (3) A good rapport had been established with the State liquor enforcement authorities. We also found that the prosecuting officials and the courts were aware of our problem and receptive to our plans.

Our personnel studied the problem and decided that no criminal activity could endure for long if it did not have the tacit support of the people. It was apparent that the public could change a criminal activity if they were made aware of its scope, dangers, and possible effects on them. A program was planned to alert the public to the size of moonshine operations with the attendant tax frauds, to the dangers of consuming moonshine whisky with its often lethal content of lead salts and to the effect that the blight of moonshine whisky has on a community. To project our message, we enlisted the help of movie stars, famous TV personalities, race car drivers, professional ballplayers and other notables in many fields. We secured from these persons recordings which warned of the possible deadly effects of moonshine whisky, the fantastic profiteering by criminals from the illicit liquor traffic and the deplorable social effects that resulted from this criminal activity. All of these recordings were obtained at no cost.

We began to broadcast these messages from almost every radio station in South Carolina on a public service basis, again at no cost to the Government. Every possible means of alerting the public to the moonshine problem was utilized.

<sup>1</sup> Attachment retained in the files of the subcommittee.

Investigative personnel took every opportunity to speak before civic groups, student assemblies, and police officers where the program was outlined and handouts given to the audience. (Attachment No. 7).<sup>1</sup> The South Carolina Medical Association endorsed our program wholeheartedly. Television stations, newspapers, and magazines cooperated in publishing the message. The educational television network (ETV) in the State, with the sanction of the Governor of South Carolina, made and played an hour-long documentary on the subject. Bumper stickers, billboards, and bus placards were common throughout the State with the universal theme that "Moonshine is Poison." Exhibits were set up at the State fair where thousands of people viewed them. (Attachment No. 8.)

A shifting of investigative manpower from other areas of the country where we had achieved a greater measure of success in curbing the illicit traffic in liquor enabled us to more than double our manpower in South Carolina. In addition, we were gratified with the increased support from State and local authorities.

The results achieved were startling. The estimated production of illegal whisky in South Carolina dropped 80 percent, in large part because the normal consumer had been reached by our public information campaign and would no longer buy "moonshine." The sales of taxpaid whisky soared as did the revenue from these sales. The public in general viewed with disfavor and disgust the manufacturer and peddler of moonshine whisky. The effectiveness of the program was reflected in the attitude of the juries toward liquor violators.

In Columbia, S.C., the police department attributed a decline of 71 percent in homicides in the city for a 3-month period in 1965 as compared to the same period in 1964 to the closing down of moonshining activity in the State. Other police agencies throughout South Carolina reported similar trends. It is an accepted fact that illegal establishments peddling moonshine whisky are the hub of many other criminal activities. Narcotics, stolen property, illegal firearms, prostitution are only a few of the crimes associated with these places. Fights and murders are common. All police agencies noted reductions in violations of this nature as these places closed.

I believe continued nationwide appeals to the citizens of this country to bring the facts of crime home to the individual, to deglamorize the criminal, and to portray the police officer in his true role as defender of law and order, should be used in the fight on crime. I do not suggest that crime can be eliminated in its entirety in this country by a public information program but an exposé on "organized crime" and its so-called respectable members similar to the one in South Carolina on the "bootlegger" would go a long way toward arousing the citizen to action, both by involvement on his part as well as by his support of constituted authorities. The greatest impact of such a public information program would be on the "crime in the streets" which is of greatest concern to John Q. Public today. The action of the Chicago Police Department, as told in the recent articles in the Washington Post entitled "Crime-Busting Citizens," is a good example. (Attachment No. 9.)

#### (2) *Ingenuity in law enforcement application*

The law enforcement officer today is confronted by such a changing climate involving his day-by-day responsibilities that he must constantly change his methods and devise new techniques if he is to achieve his objectives. Progressive and creative thinking is a must if we are to increase the effectiveness of our fight against crime. I will cite as one example of such creative thinking the efforts of our investigators in Chicago in May 1966 when they took it upon themselves to lay the groundwork for a series of conferences between leaders of Chicago's large juvenile gangs and the U.S. attorney in an effort to alleviate the tension created by the existence of these well-armed youth gangs and their defiance and disrespect for law and order in that city. The conferences were coordinated with

<sup>1</sup> Attachment retained in the files of the subcommittee.

the Chicago Police Department Youth Bureau and civic leaders of the South Side of Chicago where the gangs were centered. The thrust of our confrontation with the groups was to exhort them to voluntarily surrender their weapons to the U.S. attorney or alcohol and tobacco tax investigators under the promise of immunity from prosecution, to advise them of the penalties of the law for the possession of such weapons and to try to convince them to refrain from acquiring additional weapons. This was the first time the preventive approach had been used with youth gangs in the firearms field and a sizable number of firearms, including sawed-off shotguns, sawed-off rifles, and other National Firearms Act weapons were turned in along with knives, razors, chains, and other weapons. Considerable interest was generated on the part of the public, local agencies, and the press. Valuable insight was gained as to the problems of these teenage gangs.

We are proud that we have pioneered in another area of progressive thinking by a Federal agency in law enforcement with the formation of our "metro squads" in most of the major cities in the South. Here we found as many as four separate law enforcement bodies addressing themselves to enforcing the liquor laws, each at their own level. We proposed that a representative from each agency—the city, the county, the State, and the A. & T.T.—meet as a single unit with a common purpose of combating the illicit liquid traffic. For the first time in our experience, separate agencies were asked to put aside their jurisdictional jealousies and bond themselves together into a hard-hitting enforcement body through a mutual sharing of intelligence data, investigative techniques, and available manpower. All information pertaining to liquor violations in the city are funneled to the metro squad for whatever action they deem necessary. The squad, headed by an experienced A. & T.T. investigator, is made up of fully qualified officers from each of the participating agencies. The results have been a unified approach to an enforcement problem of interest to each enforcement agency in the city and local officers, at first wary of the approach, are now becoming more and more aware of the value of combined efforts.

The current project sponsored and directed by the Organized Crime and Racketeering Section of the Department of Justice, where top-level agents from Federal law enforcement agencies are joining hands in perfecting criminal cases against predesignated members of organized crime, is a step in this same direction. I believe the technique can be applied at the local level in other fields of criminal activity provided that appropriate single sponsorship will be found and accepted. But the success of any such unit will depend on how well each agency can concern themselves with the enlarged objectives of the joint venture.

#### *(8) Analysis of forensic evidence*

Current activities of the courts regarding the protection of the rights of the individual dictate the need for reliance on the rapid developments in the forensic scientific fields. The Alcohol and Tobacco Tax Division laboratory has made outstanding contributions in this field. Staff scientists have worked in conjunction with the Atomic Energy Commission in the adaptation of neutron activation analysis to criminal evidence. We have accepted many requests from State and local police departments to assist in developing evidence in their cases through such analysis, with the result that several crimes of violence—murders, rapes, etc.—have been solved. It is apparent that all law enforcement officers must take advantage of this and other techniques in the field of forensic evidence.

In closing, I want to say that in my opinion we can gain the upper hand in our war on crime. However, it will require enlightenment and action on the part of the individual citizen as well as increased cooperation by all levels of governmental authorities. I want to emphasize that I am not suggesting any change in jurisdiction or responsibility on the part of any cooperating agency. I am suggesting that by pooling our intelligence and by utilizing our resources on a coordinated basis, we can increase the sum of our individual endeavors. Our own experience has yielded gratifying results from each of these two methods. I want to thank the committee for this opportunity of meeting with you.

(Attachments Nos. 1-4, 6-9, have been retained in the subcommittee's files. Attachments Nos. 5 and 10 are as follow:)

ATTACHMENT No. 5

U.S. TREASURY DEPARTMENT, INTERNAL REVENUE SERVICE

MANUAL SUPPLEMENT

(November 28, 1966)

THE ALCOHOL AND TOBACCO TAX DIVISION'S PARTICIPATION IN THE ORGANIZED CRIME DRIVE

*Section 1. Purpose*

This Supplement sets forth guidelines and general procedures regarding the Alcohol and Tobacco Tax Division's participation in the Organized Crime Drive.

*Section 2. Background*

.01 The Alcohol and Tobacco Tax Division consistently has provided material assistance in the Organized Crime Drive operations conducted by the Service since January 1961. It will continue to do so.

.02 On May 5, 1966, President Johnson stated: "The campaign against racketeering must not only be continued, it must be accelerated." The following Alcohol and Tobacco Tax Division functions in the Organized Crime Drive are designed to implement this directive of the President.

*Section 3. Objective*

.01 The objective of the Alcohol and Tobacco Tax Division functions in the Organized Crime Drive is to suppress criminal activities in the United States by:

1 Perfecting criminal cases against highly-organized groups engaged in illicit liquor or illicit alcohol continuous-process distilling operations in the Southeastern and Northeastern sections of the country. The selection of these groups is confined to those whose operations are of such magnitude as to constitute a substantial fraud on the revenue.

2 Perfecting criminal cases against the racketeering element having concealed interest or control in restaurants serving wine, beer or liquor; taverns; nightclubs; wine, beer and liquor distributorships; or any other activity of the legal wine, beer and liquor industries.

3 Perfecting criminal cases regarding firearms possession or firearms transfer violations by hoodlums and racketeers.

4 Perfecting criminal cases against public officials who aid and abet the criminal element in violating laws coming within the jurisdiction of the Alcohol and Tobacco Tax Division.

5 Perfecting criminal cases against hoodlums and racketeers who occasionally or coincidentally while conducting other illegal activities violate the laws enforced by the Alcohol and Tobacco Tax Division.

6 Assisting other law enforcement agencies in their efforts to combat and suppress crime.

7 Furnishing particular assistance in the suppression of crime in the following areas listed by the Attorney General of the United States as requiring special attention: New York, Pittsburgh, Philadelphia, Boston, Miami, Tampa, New Orleans, Chicago, Kansas City, Detroit, Los Angeles, Las Vegas, Cleveland and the State of New Jersey.

*Section 4. Achieving the objective*

.01 The objective of the Alcohol and Tobacco Tax Division functions in the Organized Crime Drive will be achieved by:

1 Vigorous investigation of selected syndicates, combines and conspiracy groups engaged in illicit liquor and illicit alcohol activities.

2 In-depth examination and investigation into the business operations of restaurants serving wine, beer or liquor; taverns; nightclubs; wine, beer and liquor distributorships; and other activities of the legal wine, beer and liquor industries which are suspected of having concealed racketeer interest and control.

3 Intensive investigation of selected hoodlums and racketeers suspected of violating the provisions of the National and Federal Firearms Acts.

4 Tactful and vigorous investigation of selected public officials to detect and expose through prosecution the liquor and firearms violation conspiracies in which these corrupt holders of public trust have been and are involved.

5 Prompt investigative follow-up of information that racketeers normally engaged in activities not coming within the jurisdiction of the Alcohol and Tobacco Tax Division have committed or are committing liquor or firearms violations.

6 Furnishing information regarding local firearms violations discovered through the Firearms Record Inspection Program to appropriate State and local law enforcement agencies to assist these authorities in their efforts to combat crime in the streets.

7 Furnishing information discovered in the performance of activities described in Sections 4.011 through 4.016 of suspected violations of laws not enforced by the Alcohol and Tobacco Tax Division to the appropriate Federal, State and local law enforcement agencies.

8 Continuation of assistance and manpower and equipment assignments to other law enforcement bodies requesting such aid in their campaigns against crime, particularly those agencies which are engaged in suppressing crime in the areas listed by the Attorney General of the United States as requiring special attention (see Section 3.017).

#### *Section 5. Organized crime drive cases*

Alcohol and Tobacco Tax Division Organized Crime Drive cases are those cases initiated and conducted to achieve the Drive's objective and which provide a reasonable basis for concluding that further investigation may develop sufficient evidence on which to base recommendations for prosecution of the subjects involved.

#### *Section 6. Responsibilities*

.01 The Assistant Regional Commissioner, under the direction of the Regional Commissioner, is responsible for the administration of the Alcohol and Tobacco Tax Division's operations in the Organized Crime Drive in his Region.

.02 The Chief, Enforcement Branch, is responsible for the prompt and thorough investigation of persons coming within the purview of the Drive in his Region.

.03 The Chief, Enforcement Branch, is responsible for maintaining liaison with the Regional Coordinator, Intelligence Division; the United States Attorneys; the attorneys assigned in the field to the Organized Crime and Racketeering Section of the Department of Justice; other Alcohol and Tobacco Tax regional offices; and the National Office.

.04 The Chief, Enforcement Branch, or the Supervisor in Charge, whichever is charged with the immediate supervision and control of a particular Organized Crime Drive investigation, is responsible for the suitability of the personnel assigned to that investigation.

.05 Upon receipt of an Organized Crime Drive number for an assigned investigation in his area, the Chief, Enforcement Branch, will notify the Regional Coordinator, Intelligence Division, of the issuance of such number, the identity of the purported violator, the nature of the alleged offense, and such other information pertaining to the investigation as is necessary for coordination purposes.

#### *Section 7. Procedures*

.01 The Chief, Enforcement Branch, immediately will review the region's current inventory of investigations, and employing the criteria set forth in Sections 3 and 5 above, will determine which of these investigations warrant inclusion in the drive.

.02 On or before January 1, 1967, the Chief, Enforcement Branch, will forward, through the Assistant Regional Commissioner, a request to the Director, Attention: CP:AT:EO, for an Organized Crime Drive control number for each investigation which the region desires to have included in the Drive. Each request must set forth in detail the basis for having the investigation so identified included in this activity.

.03 The National Office will review each request to determine if the suggested investigation meets the criteria set forth in Section 3 above, and to determine whether the subjects named in the request warrant inclusion in the Drive's activities. Following this review, the Director will issue an Organized Crime Drive control number and assign the case for investigation under the auspices of the Drive, deny the request as not suitable for the Drive's purpose, or return the request for further information.



.04 When suspected or known violations arise after January 1, 1967, where the subjects involved warrant consideration for inclusion in the Drive's activities, the procedures set forth above will apply. However, preliminary investigation, prior to referral to the National Office, must substantiate that the case meets the Drive's criteria and provide a reasonable basis for concluding that further investigation may develop sufficient evidence on which to base a recommendation for prosecution of the subjects involved.

.05 When the National Office receives information or a request coming within the scope of the Drive from the Office of the Attorney General or other responsible authority, an Organized Crime Drive control number will be assigned to the matter and the case will be referred to the appropriate region(s) for investigation.

.06 The security provisions pertaining to the transmission and disclosure of information regarding sensitive cases shall apply to the fullest extent to Organized Crime Drive investigations.

.07 All journeymen special investigators will be available for assignment to Organized Crime Drive activities.

.08 Before personnel outside of the Alcohol and Tobacco Tax Division are assigned to an Organized Crime Drive investigation under Alcohol and Tobacco Tax Division's control, their suitability for such work will be discussed and cleared with the Regional Coordinator, Intelligence Division.

.09 On the last working day of each month, Form 4200, Investigative Progress Report (Report Symbol NO-CP:AT-101), will be prepared for each Organized Crime Drive case which had not been closed by the first of that month through prosecution or administrative action.

.10 The Assistant Regional Commissioner will forward to the Director, Attention: CP:AT:EO, a Form 4200 copy, to be received by no later than the 5th work day following the reported month, for each Organized Crime Drive case in his Region which had not been closed by the first of the reported month through prosecution or administration action.

.11 The Assistant Regional Commissioner will furnish the Director with an Organized Crime Drive situation summary report following the close of each quarter of the fiscal year. A copy of the report will be furnished to the Regional Coordinator, Intelligence Division, for information and coordination purposes.

.12 Each Organized Crime Drive situation summary report should include the following information:

- 1 The number of investigations opened and closed during the quarter, and the number of investigations currently on hand.
- 2 Definite accomplishments and achievements made in assigned investigations during the quarter, particularly in the areas specified in Section 8.017.
- 3 The number of persons arrested during the quarter as the result of the Drive.
- 4 The number of persons recommended for prosecution during the quarter as the result of the Drive.
- 5 The results of Organized Crime Drive trial actions during the reporting period.
- 6 The number of information referrals made during the reporting period to Federal enforcement bodies (i.e.: the Intelligence Division, Federal Bureau of Investigation, Bureau of Narcotics, Secret Service, etc.) and to State and local law enforcement agencies.
- 7 Problems encountered during the reporting period in conducting the Drive.
- 8 Anticipated problems in conducting the Drive.

.13 When the Assistant Regional Commissioner determines that an Organized Crime Drive investigation should be closed without prosecution, he will furnish the Director, Attention: CP:AT:EO, with the original and one copy of a memorandum report setting forth the reasons why the investigation should be terminated. The investigation will not be closed until the Assistant Regional Commissioner receives notification from the Director that termination of the investigation is authorized.

.14 When an Organized Crime Drive investigation culminates in an Alcohol and Tobacco Tax case being recommended to the United States Attorney for prosecution, the case report shall carry a regular Alcohol and Tobacco Tax case number with the Organized Crime Drive control number appearing in parentheses as a suffix to that number. The Assistant Regional Commissioner will

furnish the Director, CP:AT:EO, with two copies of the report upon its completion and approval.

.15 The time expended by special investigative personnel on the Organized Crime Drive activities outlined in this Supplement will be combined and recorded with the other time expenditures under the appropriate items (firearms, legal liquor, illicit liquor, etc.) appearing on page 2, Form 2300, Regional Alcohol and Tobacco Tax Monthly Operations Report (Report Symbol NO-CP:AT-7). In addition, notation will be made at the bottom of this form as to the number of special investigative man-hours spent on Organized Crime Drive activities during the reported month. This data may be obtained from submitted Forms 4200. Previous instructions relative to reporting time expenditures of personnel detailed to the Intelligence Division for Organized Crime Drive purposes remain in effect.

.16 The intensive nature of Organized Crime Drive investigations may require above-normal expenditures for premium pay, regular travel, or materials and facilities that cannot be absorbed within allotted funds. If the Regional Fiscal Management Officer and the Assistant Regional Commissioner find this to be the case, requests for additional funds to pay for the above-normal costs of these investigations should be made. (See Manual Supplement 15R-10 (Rev. 1), C.R. 94R-4 (Rev. 1), dated July 25, 1963, entitled "Funding Organized Crime Drive and Other Special Projects.") Amounts needed for premium pay, regular travel, and each object class of materials and facilities should be identified.

#### *Section 8. Procurement of forms*

An initial supply of Form 4200 will be forwarded without requisition. All future requirements will be obtained through normal procedures.

#### *Section 9. Effect on other documents*

IRM 7100, 7200, 9400 and 9500 are supplemented.

DONALD W. BACON,  
Assistant Commissioner (Compliance).

U.S. TREASURY DEPARTMENT, INTERNAL REVENUE SERVICE

### MANUAL SUPPLEMENT

(April 11, 1967)

## THE ALCOHOL AND TOBACCO TAX DIVISION'S PARTICIPATION IN THE ORGANIZED CRIME DRIVE

### *Section 1. Purpose*

The purpose of this Manual Supplement is to amend the instructions for the preparation and distribution of Form 4200, Investigation Progress Report (Report Symbol NO-CP:AT-101), and the distribution of the Organized Crime Drive situation summary report.

### *Section 2. Procedural Changes to Basic Manual Supplement*

.01 Section 7.09 is amended to read as follows:

"On the last working day of each month, Form 4200, Investigation Progress Report, will be prepared for each Organized Crime Drive case which had not been closed by the first of that month through prosecution or administrative action."

.02 Section 7.10 is amended to read as follows:

"The Assistant Regional Commissioner will forward to the Director, Attention: CP:AT:EO, two copies of the prepared Form 4200 to be received by no later than the 10th workday following the reported month for each Organized Crime Drive case in his Region which had not been closed by the first of the reported month through prosecution or administrative action."

.03 Section 7.11 is amended to read as follows:

"The Assistant Regional Commissioner will furnish the Director, Attention: CP:AT:EO, with an Organized Crime Drive situation summary report (Report Symbol NO-CP:AT-102), following the close of each quarter of the fiscal year, the report to be received no later than the 15th workday following the close of the quarter. A copy of the report will be furnished to the Regional Coordinator, Intelligence Division, for information and coordination purposes."

*Section 3. Effect on Other Documents*

This Manual Supplement amends Section 7.09, Section 7.10 and Section 7.11 of Manual Supplement 72G-48, and C.R.'s 71G-17, 94G-32 and 95G-22, dated November 28, 1966.

HAROLD A. SERR,  
*Director, Alcohol and Tobacco Tax Division.*

ATTACHMENT No. 10

U.S. DEPARTMENT OF JUSTICE,  
*Washington, D.C., December 10, 1959.*

DWIGHT E. AVIS, Esq.  
*Director, Alcohol and Tobacco Tax Division,  
Internal Revenue Service, Washington, D.C.*

DEAR MR. AVIS: We have recently been advised of the sentences imposed in the case of *United States v. Mazzio*, et al., in the Eastern District of Pennsylvania and of the convictions obtained in the case of *United States v. Barbone*, et al., in the District of New Jersey. We know that you will agree with us that these are important convictions and will have far-reaching effect on syndicated illicit alcohol operations in the Philadelphia-New Jersey area.

We in the Organized Crime and Racketeering Section have followed these cases with some interest and are most gratified with the results. It is our belief that your agents who conducted the investigations leading to these prosecutions are deserving of commendation.

In fact, we note that your major violators program has begun to show excellent results and that there are at least six cases now pending in New Jersey and Brooklyn against large-scale moonshine syndicates. You may be sure that the efforts of your Division in this program are greatly appreciated and that the cases now pending will receive the prompt and vigorous prosecution which they warrant.

Sincerely,

MALCOLM R. WILKEY,  
*Assistant Attorney General,  
Criminal Division.*  
By WILLIAM G. HUNDLEY,  
*Chief, Organized Crime and  
Racketeering Section.*

Mr. SERR. May I say, before I start in on the summary, that I have with me Mr. Thomas Casey, the Chief of our Enforcement Branch, and he is directly responsible for the so-called enforcement work in our Division. I also have Mr. John McCarren. He is with the Alcohol and Tobacco Tax Division of the Chief Counsel's Office. And he is our legal adviser in the national office.

Now, the statement I had prepared here follows fairly closely the letter we received from you. We tried to outline the background and the results that we have obtained in the past, the cooperation, our relationship with other agencies and so on.

Mr. FASCELL. Why don't you touch on each of those points.

Mr. SERR. Fine.

We are a division in the Internal Revenue Service, just like the Intelligence Division. Much that Mr. Kolar has said to you also applies to the Alcohol and Tobacco Tax Division.

In the statement you will notice that we confine ourselves to the operations of the Alcohol and Tobacco Tax Division.

We do work closely with the Intelligence Division, our people in the field work with one another on cases back and forth. So that phase of our cooperative effort is not highlighted in our statement. I wanted to point that out.

Our Division is responsible for the enforcement of the laws relating to liquor, tobacco and firearms. Within it, we have two principal func-

tions. One is the collection and control of the industries, the legal industries, they pay taxes on liquors and tobacco. This is a substantial portion of the work of the Alcohol and Tobacco Tax Division.

The second part of our work has to do with the detection of violations of law relating to liquors, tobaccos, and firearms.

It is this second part that we came here to discuss this morning.

Insofar as organized crime is concerned, our contact with it goes back particularly into prohibition days, when organized crime really took over the so-called liquor business in this country, and became one of the most lucrative businesses there was.

Mr. FASCELL. Mr. Serr, you are not playing reruns in your office, are you?

Mr. SERR. No, sir—I trust not.

Mr. EDWARDS. Was Elliott Ness a part of your section?

Mr. SERR. Yes, sir. He was one of our people. We have a lot of interesting cases.

I want to point out that our work in liquor control involves a good many cases. Last year, for example, we made over 7,500 cases. We seized more than 5,000 illicit distilleries, and arrested over 6,000 individuals.

Mr. FASCELL. Right there—may I inquire? Was there any evidence of an organized crime effort in these illegal or illicit distilleries?

Mr. SERR. There are organizations at work on an organized basis, that is right. And we have tried to pick those out and highlight those as so-called organized crime cases, right.

Altogether, we have a little under a thousand investigators in the field to do our job for us. We think we have them well trained. They have a tough job, they have a dangerous job. But we think we have got a force that has good morale, is mobile, and does what the job requires.

I think we should move along. I have tried to highlight over the years some of the important types of criminals and gangsters that we have run into.

Mr. FASCELL. How about picking one out of your most recent notorious cases?

Mr. SERR. Well—

Mr. GALLAGHER. Whatever happened to Joe Valachi?

Mr. SERR. He is not one of ours. No, he is not one of our violators.

Mr. GALLAGHER. He got a lot of good coverage.

Mr. SERR. Let me come to that in just a minute, Mr. Chairman.

Mr. FASCELL. All right.

Mr. SERR. Let me first say that during the early organization of the organized crime program, under the Department of Justice, we participated in it informally. For about 5 or 6 years we worked informally with the Intelligence Division and with the Department of Justice.

Last November we formalized our own procedures, and I have attached as one of the exhibits a manual supplement, 72-G-48, which clearly defines the organized crime program as it is conducted in the Alcohol and Tobacco Tax Division.

We have outlined the types of cases we consider falling within this category, and we have spelled out the procedures, both in our shop, the Department of Justice, and in our field offices.

I might say since we have formalized this program, we have organized 28 investigations, all recognized by the Organized Crime and

Racketeering Section of the Department of Justice, as falling within the concept of an OCT case.

Four of these are large moonshining operations in the Southeast. Thirteen of them involve syndicated ownership, hidden or otherwise, in the retail industry.

Mr. FASCELL. Let me review that for just a minute. What was the major part in the Southeast?

Mr. SERR. Illicit distilleries.

Mr. EDWARDS. Is that because we have the best or the worst or the most?

Mr. SERR. Well, sometimes we think it is the most. I am sure if you saw some of the hidden stills that we find in the woods, sometimes with dead pigs floating in the mashboxes and rats and vermin of all kinds, people would not think what they bought from the moonshiner was at all in the category of desirable merchandise.

Mr. GALLAGHER. There should be truth in the packaging.

Mr. SERR. We would like to add that to one of the requirements for moonshiners.

Mr. FASCELL. Most of the illicit distilleries are in the Southeast?

Mr. SERR. Yes, sir, about 75 percent.

Mr. FASCELL. Of that 75 percent, what is the percentage in Florida?

Mr. SERR. Florida is not high on the list. It is pretty well down the list. We have worked with the local people, and have it fairly well cleaned up. Our big States down there today are Georgia and Alabama.

Mr. EDWARDS. I have even run across a few of them campaigning.

Mr. FASCELL. Mr. Serr, you made reference to organized crime elements in—

Mr. SERR. In the retail and wholesale end of it, yes. In order to get into the liquor business, a person has to come to our organization, make an application, and for the most part get a permit. Now, this is not true in the retail end. We find that many racketeers try to invest their money in the retail distribution of liquor, use that as a front and as a legitimate means of conducting additional operations. Many of these places serve as meeting points for mobsters and others. And to the extent that we can harass the criminal element and get them out of the legal liquor business, we direct our attention to that end.

Mr. FASCELL. Now, most States have laws with respect to licensing of both retail establishments and wholesale establishments which prohibit anybody with a criminal record from owning a license or actually having an agent or trustee or front for a license.

Mr. SERR. Right.

Mr. FASCELL. How do you cooperate with States agencies with respect to the enforcement of the State law, if you do?

Mr. SERR. Well, we cooperate to the extent that they must disclose in their application for a special tax stamp who the actual owners are. Usually we find in these situations they do not do that.

So we have a legitimate reason for working on a person who is suspected of being in a retail establishment unlawfully.

We know that the States, as you pointed out, have similar requirements, and we generally try to get together with them, and any information they have we try to get, and any information we have, we try to exchange with them. Our objective is to bring cases against undisclosed racketeer owners. And if we can prosecute them under a Fed-

eral charge, we take them to Federal court; if the best means of prosecution is in the State courts we prosecute there, or through administrative action, either ours or in the State. We work it that way.

Mr. FASCELL. There is no requirement now for the States, except simply on a cooperative effort, with your unit, to make any information available to you, is there?

Mr. SERR. That is correct.

Mr. FASCELL. That is for retailers and wholesalers—because you have no jurisdiction.

Mr. SERR. We have no jurisdiction in the licensing of retailers. Wholesalers do get permits from us.

Mr. FASCELL. It is from the special permit that you get the information?

Mr. SERR. And special tax stamps—right.

Mr. FASCELL. Thank you, go ahead.

Mr. SERR. I might point out—I think interest was expressed about public officials in the OCD category. Three of our current OCD cases fall within this category. As I pointed out in my statement, the most notable is a bootleg ring headed by a Mr. James E. "Bookie" Turner, Police Commissioner of Chattanooga, Tenn. He is under indictment, and the case is now awaiting trial.

There are others.

Mr. FASCELL. I notice you mention the Chillingsworth case in your statement, too.

Mr. SERR. That is true. This was a subsidiary part of a wider investigation of a larger bootleg ring down in the South.

Mr. FASCELL. You also mention something about illegal gunrunning, with respect to furnishing guns—

Mr. SERR. For the Cubans—right. We also enforce Federal and national firearms laws.

Mr. GALLAGHER. Mr. Chairman—

Mr. FASCELL. Mr. Gallagher.

Mr. GALLAGHER. May I ask a question at that point. I have been reading your statement here, and I notice that you have got quite a bit to do about firearms.

Mr. SERR. Right.

Mr. GALLAGHER. Do you take an interest in the large-scale gun selling that apparently is going on in many areas of the country right now—people who do not have such exotic names as "Alky Sam" or "Lucky Louie." Or some of the names you have here—just plain, well-meaning, allegedly well-meaning, people who are in the gun business today.

Mr. SERR. Now, if I understand your question—are we interested in people who sell guns, or buy guns generally?

Mr. GALLAGHER. Are you, (a) interested—(b) are you doing anything about it? Even though it does not come under the exotic headings of this thing, it would seem to me this poses a tremendous problem.

Mr. SERR. It does.

Mr. GALLAGHER. For instance, I know of an area that has been reported to me, and I do not know it to be factual or not—one small area, there has been 300 carbines sold by a fellow very large up in so-called veterans circles. They are made in the United States. I do not know whether they are made correctly or not. I am just wondering who takes a look at this, and what the purpose of it all is.

Mr. SERR. Well, certain guns of course are legitimate. Under Federal law anyone can buy them and sell them. And we have laws that classify certain guns into categories where they are taxable whenever they are transferred. We have other laws that require certain record-keeping operations.

Now, these laws are designed basically to keep guns out of the hands of criminals.

Mr. GALLAGHER. Well, shouldn't we also keep the guns out of the hands of nuts?

Mr. CASEY. I might answer that, Mr. Gallagher. We are increasingly getting involved with certain paramilitary type groups.

Mr. GALLAGHER. Yes, exactly.

Mr. CASEY. We have infiltrated the Minute Men. We have convicted recently the head of that, DePugh. He is out seeking an appeal on that now. We have just recently arrested William Thorensen the son of a millionaire, and a millionaire himself, in California, who has amassed an arsenal. We are very much on top of this, and very much involved in this. There are certain segments of our society today who have joined forces to establish vigilante type groups. In the South we are having much activity down there with the Klan, obtaining guns.

Mr. GALLAGHER. Not only the South. The North.

Mr. CASEY. Yes, sir. You had your Minute Men group in New York.

Mr. GALLAGHER. Yes—up in Jersey, where evidently there are a great many people who discuss quite openly the purchase of guns. I am just wondering what we are doing about it.

Mr. ST GERMAIN. Would you yield there for one question?

Just yesterday in Warwick, R.I., I believe it was, a cache of arms was found. Were you involved in that particular investigation?

Mr. CASEY. Yes. We had one yesterday in Michigan, too.

Mr. ST GERMAIN. Hotchkiss, I think it was.

Mr. CASEY. Yes.

Mr. GALLAGHER. What would your estimate be of a number of guns in possession of not necessarily criminal types, but if you want to throw criminal types in, fine.

Mr. SERR. Guns of all types?

Mr. GALLAGHER. I am talking of nonhunting guns. It could be classified as shotguns, or used for hunting. I am talking about the proliferation of carbine, Luger sales, machineguns.

Mr. FASCELL. Antitank weapons.

Mr. GALLAGHER. This sort of thing.

Mr. FASCELL. Gatling guns.

Mr. GALLAGHER. There are people you can buy a carbine from for \$80.

Mr. CASEY. Since the end of World War II, with all that military hardware that was dumped throughout the country, and with the ease with which you could bring stuff back, we have had a tremendous increase in this area. Congress is aware of it. There are many bills before the Congress right now that would tighten up these areas. To answer your question, I do not think anybody could give you an estimate about the number of guns floating around the country today.

Mr. GALLAGHER. Is it possible to give an estimate on gun sales, other than hunting rifles?

Mr. CASEY. That—

Mr. GALLAGHER. I am talking about the Minute Men kind of operation, frankly.

Mr. CASEY. We are right in the middle of that operation. It is a very loosely knit organization. Anybody can join. I believe when the raid was made up in New York State, that the president of the organization, DePugh, stated he had no connection with that particular setup in New York. But we have found that that was not true. We have several pending cases of members of that organization before the courts in Kansas City right today. And the interest in guns has seemed to have increased over the past 10 years. I was amazed at the number of gun shows that take place throughout the country.

We were concerned because we were getting information that some of these different organizations were using these gun shows to increase the collection, so-called collection. There is a terrific resistance on the part of certain segments of our citizenry to tighten up the gun laws. And if there were more stringent regulations in this area, it would help us immeasurably.

Mr. GALLAGHER. I couldn't agree with you more; because while we are talking of one thing, I think a frightening thing that has happened in this country is the number of people who are manufacturing guns, selling them to well-meaning people for when the day comes—whatever "der Tag" is—I am not quite sure. But this business of selling guns—I am just wondering who is watching it.

Mr. SERR. There are probably more than a hundred million guns in the country.

Mr. GALLAGHER. A hundred million guns?

Mr. SERR. Yes, sir. And let us keep in mind that the sale of a gun as such is not prohibited in Federal law.

Now, there are certain types of weapons, National Act weapons, that require the payment of a transfer tax.

Mr. GALLAGHER. What about a carbine?

Mr. CASEY. It should be registered.

Mr. GALLAGHER. And therefore a person who sells a carbine to another person is in violation?

Mr. CASEY. Yes, sir.

Mr. GALLAGHER. I would like to talk to you about this when this is over.

Mr. SERR. You are talking about an automatic carbine?

Mr. GALLAGHER. Yes.

Mr. SERR. An automatic, yes, should be registered.

Mr. EDWARDS. And tax paid?

Mr. SERR. There is a tax that has to be paid—\$200.

Now, in addition to that, convicted criminals or people who have been indicted are prohibited by law from transporting guns across State lines.

Mr. GALLAGHER. I am not talking about the criminals now.

Mr. SERR. To that extent we have a direct responsibility to keep guns out of certain people's hands.

Mr. GALLAGHER. I am with you on that. I read that, and I thoroughly concur in it. What I am really worried about, however, is not those types who, as you say, you go to bed with, and put to bed, and get up with them at night here—that is a questionable statement, but if that is the way you feel about it, it is all right. I am worried about all of the people who now—the nuts. You people seem to be worried about



the criminals taking over, and many people worry about the Communists taking over. I worry about the nuts taking over the country. And therefore I just would hope that we are putting sufficient emphasis on the kind of people who are now selling guns for the day when guns will be needed. And I would tell you this—that there is a tremendous proliferation of this kind of activity going on, for whatever purpose—I am not quite sure.

Mr. SERR. We agree with you.

Mr. GALLAGHER. It may well have to be you will have to call on Alky Sam and Lucky Louie, and the Gallo brothers, to defend our side of this thing.

Mr. SERR. We agree with you, and we feel something should be done about it. But up to the present time about the only thing the Federal Government has really been trying to do is fill in the void between the States. The States basically control the sale of guns. And we feel our responsibility at least ought to be to protect one State against people in another State taking advantage of their situation.

Mr. GALLAGHER. What I would like—and then I will be quiet, Mr. Chairman—you have had a long history, a long experience with this type of thing—if you could make some recommendations to this committee on what we can do about this problem. I think it is underplayed. We are not really paying enough attention to it. And I think it needs the kind of a public relations buildup that some of the other activities have gotten.

Mr. CASEY. We did not include any of this in the statement because it was not to the point.

Mr. GALLAGHER. I know it is not to the point. But we got talking about firearms. I think it is a more significant point than some of the things we are talking about.

Mr. SERR. The public relations that has been built up so far has been a buildup by the NRA.

Mr. GALLAGHER. What we need is Joe Valachi, so we can polarize the thinking on this.

Mr. SERR. Right.

Mr. FASCELL. Go right ahead, Mr. Serr.

Mr. SERR. I did want to point out—

Mr. FASCELL. Before we leave that point—I notice in your statement you say there are six ongoing cases with respect to furnishing of firearms to syndicate membership. Does this mean they are in the business, either manufacture, distribution, wholesaling, or are they just getting a source of supply?

Mr. SERR. Making silencers, the gangster-type weapons that are used. Our activities tend to go away from "organized crime" into the crime on the street areas, where we supply this intelligence to the police departments.

Mr. FASCELL. I was trying to analyze or understand exactly where the organized crime element comes into the firearm picture. Is it manufacturing, distribution, or use?

Mr. SERR. Well, we had Mannarino. He is an organized crime figure that was at the Apalachin meeting. Intelligence made a wagering case against him up in Kensington, Pa. We made a gun case against him. He was trafficking in firearms, shipping them to the Latin-American countries. It was during the time that Castro came into being. But he got in there because there was a buck in it. And he was actually

THE FEDERAL EFFORT AGAINST ORGANIZED CRIME 99

engaged in gunrunning. We tailed him by airplane, with the Immigration people, and made a case a couple of years ago in Pittsburgh on that individual. But it is very rare that these people, at that higher echelon in the Cosa Nostra family, or the Mafia, whatever you might want to call it, will get active in this area. But we do have some active cases where people in that organization are making the type of weapons that they use to hit these people.

Mr. FASCELL. Thank you.

Mr. St GERMAIN. Mr. Chairman—on this same point—did I understand you to say that some of them are manufacturing firearms and silencers and what have you?

Mr. SERR. Yes.

Mr. St GERMAIN. As far as organized crime is concerned, I think you mention in your statement the situation we have in Massachusetts, where we have about 30 to 32 gangland murders which I personally feel, and I think many of the people in law enforcement in Massachusetts feel, are part of organized crime, and most of this has to do with loan sharking.

Now, I notice you mention two successful cases. Do you feel that we have convicted two murderers?

Mr. SERR. We—

Mr. St GERMAIN. To the best of my knowledge, they have not gotten anywhere yet in Massachusetts.

Mr. CASEY. Through our inspection program—this is where we go into the dealers premises and check his records—we have found some of those weapons that were used. We found one that was used in one of those murders in Boston.

Mr. St GERMAIN. It was up for resale?

Mr. CASEY. No. It was purchased. They purchased several .38's—one of the members of the gang up there went into New Hampshire and Vermont and those places that have dealerships, and one of them had a bodyguard, a policeman, from one of those towns up there, and they purchased seven or eight .38's, and one of those guns we were able to trace, and attach it to one of those murders up there.

Mr. St GERMAIN. But to date there have been no convictions.

Mr. CASEY. No, sir.

Mr. SERR. In other words, our responsibility did not go to solving the murder. We came in on the gun angle. And we established that the gun was brought in—they could not have purchased the gun in Massachusetts—so they went to an adjoining State that has loose laws on guns, and bought their weapons, and brought them in.

Mr. GALLAGHER. All they have to do is join the Minute Men—take out a membership card in one of these organizations that sell guns, whether they are in organized crime or not. The availability of guns is just frightening and appalling.

Mr. SERR. You are right. What we are hoping to do is tighten up, so that as a minimum, people who purchase guns will be identified and if they do reside in another State, the thing will be controlled so that they will have to conform to the laws in their own State.

Mr. GALLAGHER. You mean your organization abides by State borders? May I commend you as the first organization that has been here that recognizes State borders.

Mr. FASCELL. Mr. Serr, do you want to finish?

Mr. St Germain?

100 THE FEDERAL EFFORT AGAINST ORGANIZED CRIME

Mr. ST GERMAIN. Perhaps you would rather not comment on this—but you said you were involved in this latest Minute Man situation in Rhode Island that developed over the weekend.

Mr. CASEY. Yes, sir.

Mr. ST GERMAIN. Were these firearms also purchased from out of the State, out of Rhode Island, or would you rather not answer that at this time?

Mr. CASEY. I don't have the information, sir, at this time.

Mr. FASCELL. Mr. Serr?

Mr. SERR. I do want to emphasize that we have had very good relations with the Department of Justice, and the Organized Crime and Racketeering Section. They have been of great assistance to us in supplying us with information. We look forward to continued good relations with them.

If you are interested, I would like to highlight the two suggestions we have for improving enforcement. One has to do with overcoming public apathy. This starts on page 20 of our statement. Our experience goes back many years, in our war on moonshining. In many areas of the country moonshining was not looked down upon as being too serious a way of life—until the public began to realize that moonshining has many aspects to it that are harmful, that the person who consumes it is risking the consumption of liquor that may have lead salts in it, and be harmful to his health, that moonshining is a way of breaking down respect for local laws, and the life in local communities. And until we could correct this, we were not getting far in the South.

We set up what we called "Operation Dry-Up" in the State of South Carolina, and started quite a public relations campaign. We organized it—we obtained television and radio scripts without charge and showed them to the public down there. The State also went into it. They put on a program over their TV stations. We met with many local organizations Rotary clubs, and went into the schools, met with the police, developed a campaign to bring to the people the harmful effects of moonshining.

We improved our contacts with all local law enforcement officials. We put in more manpower, and within a couple of years, illegal whiskey production in South Carolina dropped over 80 percent. This, of course, helped in improving the revenues to the State treasury. They got more money from the liquor than was sold there. Their sales of legal liquor increased. We noticed there was a drop in the rate of crime. Some of the police officers down there pointed this up. And altogether we find that there is a better climate for law enforcement in the State of South Carolina as far as liquor goes. I think it extends into other areas, too.

We are carrying this kind of a program on in Georgia at the present time and intend to move into Alabama next.

So that we hope to improve our posture down there.

Mr. EDWARDS. May I ask a couple of questions?

Mr. FASCELL. Mr. Edwards?

Mr. EDWARDS. Can you tell any difference in the number of criminals involved in an area where you have legal liquor as opposed to an area where you do not have legal liquor.

Mr. SERR. That is a kind of a tough one, Mr. Edwards. Naturally where you do not have legal liquor there is more of a tendency for someone to come in and fill the void.

Mr. EDWARDS. Well, let's take a State where you have legal liquor throughout the State. Do you have a real bootlegging problem in a State like that?

Mr. SERR. I think I know what you are driving at. South Carolina, the State where we started, was open throughout the State. The sales of liquor were legal in all parts of the State; but you still had some moonshining. There is a great incentive for moonshining because of the high prices of legal liquor. And people with low incomes are going to buy the cheaper product if it is available.

Now, in the States of Georgia and Alabama, where there are large areas that are dry by local option, you have both incentives—the fact that there are no legal liquor stores—you have to go long distances to get legal liquor, and you have the people who are willing to buy the moonshine product. So there is certainly a greater tendency toward the moonshining criminals who move into that area than there is in other areas.

The other thing I want to point out—I hope you will find our efforts of interest—for example, our Chicago experience, where because of a very tense situation we worked with the local police and the U.S. attorney's office in making contact with the juvenile gangs out there a year ago, and got these people to voluntarily surrender guns and clubs and weapons of all kinds which were simply productive of violence and lawlessness in the area.

Mr. FASCELL. You mean you called these people together and talked to them, and got them to give up their weapons?

Mr. SERR. Right—induced them that it was to their advantage to give up their weapons, and that we would not prosecute those who had illegal weapons. And we were thoroughly successful in getting that result. So much can be done if—

Mr. FASCELL. Was that effort coordinated with the Department of Justice's effort which was going on at the same time to get employment for these kids?

Mr. SERR. I cannot answer that.

Mr. CASEY. No; it was not coordinated, sir. We just took it upon ourselves through the U.S. attorney's office to see if we could not get some of these people to surrender these arms, and we gave them immunity if they had the type of weapons that came within the purview of the act. And they surrendered a small arsenal of meat cleavers, axes, picks, pick handles, and sheath knives, and we did get several weapons that fell within the category of the National Firearms Act. We were trying to get the weapons out of the hands of the two groups that were warring against one another out there. I think we got some of them, but I don't think we got all of them.

One group declared a war immediately after the meeting because they said one group surrendered more than the other. So we did take some weapons away from them.

Mr. SERR. I would also like to point out our success in the South in establishing what we call Metro Squads. Here again, keep in mind that we are concerned with a liquor problem. Most States have police officers who are charged with the responsibility of enforcing laws against

liquor violators. Cities have officers with that responsibility; counties have the same situation.

We have gone especially into the cities and tried to organize our efforts along with the State and county and city people to establish squads that are primarily concerned with liquor enforcement. By working together, by trying to get over petty jealousies that might exist between competing organizations, throwing our forces into one effort, we have found that we were much more successful than we were before, when we were each working on our own.

And this, we think, has a lot of promise, not only in our area, but we hope in other areas.

Mr. FASCELL. Did I understand you correctly in your testimony that that particular project is one sponsored and directed by the Organized Crime Section of the Department of Justice?

Mr. SERR. No; this is one we have been working on. We have been promoting what we call Metro Squads.

Mr. FASCELL. I would like to ask you at what point or how you make a determination that you have an organized crime case on your hands.

Mr. SERR. Well, of course, we do have the guideline instructions that have been issued to all of our people.

Mr. FASCELL. Guideline instructions by whom to whom?

Mr. SERR. By the—the manual supplement that I pointed out to you, signed by our Assistant Commissioner. This goes out to all of our people, and is more or less the rule we live by.

Mr. EDWARDS. Is that No. 5 in your appendix?<sup>1</sup>

Mr. SERR. Right.

Mr. FASCELL. What does that guideline say about a determination of an organized crime case, if it says anything?

Mr. SERR. We developed ground rules for determining what should be considered as falling within the program, what the objective is. When we find individuals who are engaged in major operations, and in our judgment they ought to be set up and worked on particularly, we identify them, we prepare a letter to the Department of Justice, see if they agree with us, and if they do, we advise our field. We are very similar to the Intelligence Division in the way we operate.

Mr. FASCELL. You send your request to the same Assistant Attorney General?

Mr. SERR. Right, we do. And we also make reports to them.

Mr. FASCELL. That would be Mr. Vinson's office.

Mr. SERR. Mr. Peterson.

Mr. FASCELL. In your case, as in the Intelligence Division's case, the determination goes to Mr. Vinson's office for review, and it comes back, and says, "OK, this individual can be considered part of the organized crime drive."

Mr. SERR. They will consider it as an organized crime case, and from there on we do, too.

Mr. CASEY. I might add, Mr. Chairman, in reverse—we get many requests from this section of Justice, for us to get into the hidden ownership or the racket money that might be in nightclubs, bars, and restaurants. And we go into those areas in New York, Chicago, and the metropolitan areas, and try to determine if there are hidden assets, and we have been successful in this area. It is difficult—as you men-

<sup>1</sup> Attachment No. 5 appears on p. 88.

tioned earlier, the State of Florida possibly has a law that prevents anybody from using a front. But we have been able to get some of these topnotch hoods where they falsified a form 11, that is the original application for one of these occupational stamps. But I think that maybe this is the most pertinent type of work that we are doing in this organized crime area today, as far as the Justice Department is concerned—checking hidden assets in these legitimate businesses.

Mr. FASCELL. I was interested in your public relations aspect of dealing with the problem of moonshining in one State. And I must say it appears that it was successful.

There seems to be a considerable difference of opinion expressed by some experts—perhaps they are not field men—concerning the application of such a public relations campaign to a general crime problem, or an organized crime problem.

Do you have any opinion on that?

For example, one expert who at this point shall be nameless has said that if you really stirred up the public with a great big public relations drive about organized crime and crime on the streets, you would clog up the courts. You would have so many minuscule cases that were meaningless that you would never get to the big ones, and we are so far behind now we cannot prosecute.

Mr. SERR. Well, if people are violating the law, I would think that—and their violations are substantial, I would think whether it is a Federal case or a State case, someone should do something about it. And I am not the least concerned about not being able to move our cases forward. We are concerned about finding who is a violator. Then working with the U.S. attorney to get prosecutions. And we feel we have done our job when we have put the cases in their hands.

Mr. FASCELL. I am sure you have. Maybe it is not fair to have you address the overall problem. As far as your particular area is concerned, I cannot argue with that position. But I could argue with the proposition, for example, of clogging the courts with traffic cases, where you are trying to try a murderer.

Mr. SERR. Right. Well, we have not found too much of a problem here.

Mr. FASCELL. In other words, if the emphasis and the priority on organized crime has any meaning, then it ought to have meaning also in prosecution, as well as investigation as well as in trial.

Mr. CASEY. We have found through a publicity program in the South, particularly in South Carolina—and I do not suppose there has been any more hard core apathy, the code of the hills, and all this sort of thing, where they would not talk. When we broke through that wall of complacency on the part of the public—we used a gimmick, if you want to call it that, of poisoned moon, which it was, and it was injurious to the health of those people who drank it. It actually was developed through an Army hospital in North Carolina where over the years possibly they have been putting these deaths down and charging them to alcoholism, but it was ingesting the lead salts that became intolerable, and they died from it.

Mr. GALLAGHER. What is lead salts?

Mr. CASEY. It comes from the solder that gets into the product itself. Everybody ingests a certain amount of lead salts, I understand, but your system is geared to throw it off. But when you get an over-tolerance on it, it will kill you. It is a slow death process, too.

But when we broke through that wall of complacency in the South, we found that convictions rose, jury convictions. So I think we are reaching the public when we got the word across that this was not only a fly-by-night type of an operation, there was tax involved, there were many social problems attached to it. We found in the city of Columbia that the rate of homicides decreased because of the lack of the product on the market. I think it ties in with your statement about the legal ones. I think when you knock out the illegal, there might be a lot of bootlegging, but it is legal liquor that we are not interested in because the tax has been paid on it.

But we found there were many crimes fostered in these places that stay open for 24 hours a day, where these people congregate to buy this stuff.

Mr. FASCELL. Mr. Edwards?

Mr. EDWARDS. Mr. Chairman, I would just like to say one thing before I go.

I am impressed with what appears to me to be an on-going program in your particular division, trying to stop the crime before it starts—a public relations program, and your pilot project in South Carolina apparently has had some good results. I would hope not only your division, but other divisions and agencies involved in this would carry out similar type programs to get to the people.

This seems to be the great problem—at the local level, we must work with the police departments, and the local citizens, in creating interest in not participating, whether it be buying or producing or selling or what not, in this illegal whisky business.

Mr. SERR. We agree with you, sir.

Mr. FASCELL. Mr. St Germain?

Mr. ST GERMAIN. As a followup to the questioning I was doing with our previous witness, I notice your ending, in which you conclude by saying:

I am suggesting that by pooling our intelligence and by utilizing our resources on a coordinated basis, we could increase the sum of our individual endeavors.

And I conclude in reading that that you agree with me that in truth the pooling and the coordination is not really there as of this time, and a great deal has to be done to improve this pooling and coordination.

Am I correct in this interpretation of your statement?

Mr. SERR. We used the formation of those Metro Squads as evidence that in our own area of responsibility, by pooling our efforts with the States and the counties and the city enforcement agencies, we got much better results than when we each went our own way. You are right. That was the reason that we put that illustration in there.

Mr. ST GERMAIN. So you agree with me that there is a further need of more coordination and pooling?

Mr. SERR. Right. And it is not necessary for the city police or the county police to give up anything. Just work together.

Mr. ST GERMAIN. Well, I am talking now on the Federal level.

Supposing you want information from the FBI this afternoon on John Doe that you are investigating, and you feel that information they have in their files would be of immense value to you, you save your investigators a great deal of time, and help you to conclude successfully this investigation and indictment, a whole lot sooner, and

perhaps make sure that you do get sufficient evidence to have an indictment.

Can you get that information this afternoon?

Mr. CASEY. Yes. But I understand what is in the back of your mind, sir.

I think the Justice Department has reached that point. I think maybe Mr. Vinson and Mr. Peterson, during their presentation, mentioned about a project that they have going where everybody as one unit is involved in a certain area.

We found—

Mr. FASCELL. That is the experimental project in the East up here?

Mr. CASEY. Yes, sir.

We have found in the past the Justice Department was accumulating all of this information and intelligence.

We could seek that out by going to them on an individual basis, on a case-by-case basis.

We find now that with their attorneys that they have assigned to the different districts throughout the country, where our people are involved, that he is sort of a local on-the-spot coordinator there.

We might have a very minimum amount of evidence on one of these individuals where he will have knowledge that Immigration or Narcotics or somebody else who have more. And through the united effort they try to get the whole group together working toward one goal to get the individual involved on the type of violation where the most evidence exists.

Mr. ST GERMAIN. My question is this.

If you were to call the FBI this afternoon on John Doe and say "We have reason to believe that we can make a case here, however there are certain parts of the puzzle that we do not have as yet, and we need your file on this man with all the information that you have on him for our people to go over, to see whether or not the missing links are available from your file." Can you get that information this afternoon?

Mr. CASEY. We possibly will not get the file. But through the liaison man assigned to the Internal Revenue Service, Mr. Putnam, he would get that information for us.

Mr. ST GERMAIN. You would have to go to Internal Revenue to get it from FBI?

Mr. CASEY. They have a liaison man assigned to IRS, and we would deal through him. On this case that I was mentioning, Mr. Gallagher, on the big firearms case we made out in California on this individual—he was a suspect in a murder case, just a suspect with a lot of other people. We liaised and coordinated that information through the FBI because they were the ones that had the information that he was a suspect in this murder.

But we would not get the case file or the intelligence file.

Mr. ST GERMAIN. Now, one further question.

The Intelligence Division testified they had 1,700 agents out in the field. You have how many agents?

Mr. CASEY. 970, sir.

Mr. ST GERMAIN. According to the concept of the Organized Crime Division, as now set up, they are supposed to be coordinating all of this. They have got 60 men to coordinate, just between your two agencies, the work of 2,600 men, and to serve as liaison.



Mr. CASEY. I don't think they have enough manpower myself.

Mr. ST GERMAIN. It seems evident, wouldn't you say?

Mr. CASEY. Yes, sir; I would agree with you.

Mr. FASCELL. Will you gentlemen yield at that point. The real point is that the Organized Crime Section cannot coordinate, because they have no line authority with respect to investigations.

Mr. CASEY. That is correct, sir.

Mr. FASCELL. Furthermore, on a case-by-case basis, with anything that is in the FBI file, which they are carrying on as an independent investigation, unless you ask the specific question on the evidence you want, you don't get an answer, because you don't see the file.

Mr. CASEY. We do get a flow of information.

Mr. FASCELL. I know. But you don't get the file.

Mr. CASEY. No, sir.

Mr. FASCELL. Now, the only case and working rule is that if the FBI decides that they cannot make the case, OK, they let you have the file—it is no good to them. Is that a working rule?

Mr. CASEY. In the firearms area we have maybe a closer relationship with FBI than any of the other areas of jurisdiction that we have. We do get daily information on Klan members who possess firearms, we get it on the Minute Men. This is a general day-to-day referral basis. They give us the complete file on what they develop in that area.

But the other—it is usually on a case-to-case—we go to them for certain information.

Mr. FASCELL. How about with other agencies that have investigative information that might be of value to you? Do you have the same kind of difficulty? Is it on a case-by-case basis with specific requests for evidence?

Mr. CASEY. In our own family of the Treasury Department, no sweat, sir.

Mr. FASCELL. But you go outside of Treasury, and you have a problem. An operational problem.

Mr. CASEY. That is why I think this section over here has been invaluable to us in Justice, because they have been able to get information from all of the agencies, I expect, and we go to them, if there is a missing link in our case, to see if they have something we need.

Mr. FASCELL. And if they can get it. We are talking about the Organized Crime Section.

Mr. CASEY. Yes, sir.

Mr. FASCELL. And if they can get it. Because they probably cannot get the file either.

Mr. GALLAGHER. Who?

Mr. FASCELL. The Organized Crime Section.

Mr. GALLAGHER. Why?

Mr. FASCELL. Don't ask me. Ask them. I don't know.

Mr. ST GERMAIN. Are there any FBI agents in this experimental unit that you referred to, that you are aware of?

Mr. CASEY. I cannot answer that, sir. We have a man up there, my assistant is up there—not constantly. But I understand that the FBI did come in in the general discussion when they kicked the thing off. Whether they have somebody in there now or not, I do not know.

Mr. ST GERMAIN. One further question. OCD asks you to concentrate, once again, on John Doe, maybe a member of the Cosa Nostra, or a suspected head of organized crime in a particular area.

Does OCD then supply you and Internal Revenue and let's say Immigration and Customs with a full file from all the agencies—in other words, compile your respective files into one complete file—here is the information we have to date on this individual.

Mr. CASEY. We have access to go into these files on any case that we have. But as far as getting a complete file from them, I am sure we could get it.

Mr. FASCELL. The answer is, Mr. St Germain, there is no such master file. There is no compilation of investigative evidence.

Mr. ST GERMAIN. Why haven't OCD Division, where they say they are coordinating and working together—if they are not going to work in this manner—

Mr. GALLAGHER. Their computer is not complete.

Mr. FASCELL. That is the reason we are holding this inquiry, because there seems to be some question about what is really being coordinated with respect to an organized crime drive in the country. That is a very good point.

Mr. CASEY. We have an active undercover case going now in a certain area of the country where we have three men under cover. We went in there originally with the intention of staying within our own jurisdiction, of course, hidden assets, racket money. And we have run into narcotics, we run into prostitution—many things that came outside of our jurisdiction. We had a meeting in the Justice Department last week with Henry Peterson. He decided what action should be taken with this information that we are getting, that is beyond our realm.

Mr. FASCELL. In other words, which way to go?

Mr. CASEY. Yes, sir.

Mr. GALLAGHER. Do you ever make mistakes?

Mr. CASEY. Us? Many, many, sir.

Mr. GALLAGHER. I know of one where they sent in 12 or 14 agents with guns, locked the place up. I am not sure whether it was your outfit. Locked the place up 59 days. Kept three agents around the clock, which is quite an expensive operation. It turned out that at the end of it, the real reason—the purpose supposedly was that the stamp was not paid. The fact was that for 2 years the fellow did not open his mail because he owed so much money that it was depressing to open his mail. At the end of it, of all this Government money that went into it, it turned out that he owed the Government some \$105—whatever the interest would be on \$100 for 2 years. And never having made any money, the fact was he did not owe any income tax. And at the 61st day, he died of a broken heart, and disgrace, I might say.

So I think sometimes we get quite careless, our Government does, when we decide to go and make a case against somebody when in fact a case should not have been made.

So I just wonder about things like that, how often that happens.

Mr. CASEY. I don't know what type of a case it is. We don't have—

Mr. GALLAGHER. It was a stamp case. This was the justification for closing him for 59 days. I mean it was just a poor guy who had a little saloon. I am sure he was suspected of all sorts of things. A little like Fearless Fosdick. The fellow who snatched the purse running down the street, and you must fire the machinegun. A lot of people might get killed, but it is important to get that purse back.

I sometimes wonder that we make sure we really don't overdo this sort of thing.

Mr. CASEY. I can assure you that we do not. If I had known that that existed in our department, I would have had that supervisor in in about 15 minutes. We just don't have that type of manpower that we could be dealing with a situation like that.

Mr. GALLAGHER. I think at the same time there were in our area a hundred and some candy stores that were raided—the same day that Sobel got on an airplane, because we did not have enough manpower to watch him—the convicted—he got on an airplane, and disgraced our entire country for 2 or 3 months, because we did not have anybody to keep him from getting on the airplane. In the meantime we arrested a lot of candy store owners.

Mr. CASEY. I don't know what we would be doing in a candy store.

Mr. FASCELL. Mr. Sierr, Mr. Casey, Mr. McCarren, thank you very much. We appreciate your being with us. Mr. Kolar, we would like to bring you back for a few more questions, and Mr. Carney.

Would you come on up, and take a seat.

Thank you very much, gentlemen. A very thorough presentation. I appreciate your effort.

**STATEMENT OF WILLIAM A. KOLAR, ACCOMPANIED BY THOMAS B. CARNEY—Resumed**

Mr. FASCELL. Mr. Kolar, in your opinion, are tax violations by organized crime figures increasing?

Mr. KOLAR. In my opinion, yes.

Mr. FASCELL. In the President's Crime Commission report, and other studies have shown, and I believe you stated, that the basis for organized crime revenue is gambling, illegal gambling.

Mr. KOLAR. Yes, sir.

Mr. FASCELL. Is most of that revenue untaxed, in your opinion?

Mr. KOLAR. Actually, that is a very difficult question, because we have no way of knowing just what is untaxed. Again, giving my opinion, much of the revenue is untaxed. That is an opinion, sir.

Mr. FASCELL. The Crime Commission report says on page 190:

From its gambling and other illegal revenue on most of which no taxes are paid, the criminal group always has a ready source of cash with which to enter any business.

Mr. KOLAR. My experience would cause me to agree with that statement, sir.

Mr. FASCELL. We do not have any real hard way of basing a judgment on that?

Mr. KOLAR. It is very difficult. It is a matter of dealing in cash.

Mr. FASCELL. Just a good educated opinion.

Mr. KOLAR. Yes, sir. And I think Mr. Carney with more experience would share my view. We can ask him, if you wish.

Mr. FASCELL. You testified that there are some 400 organized crime cases being worked on by IRS, and yet over 3,000 people have been identified, according to the Organized Crime Section, as being part of the organized crime effort.

Mr. KOLAR. My answer to that would be that we have asked the Organized Crime Section for the identity of all known or suspected Cosa Nostra figures. We have a list, I would guess it contains 3,000 in number. We are going over the list to see what we have done in the

past, and whether we believe we should do anything more in the future.

In other words, we are trying to bring ourselves up to date by looking at each of the individuals from a record standpoint within the Revenue Service. If we believe we have done an adequate job, that will be the end of it. If we think there is more to do, we will do more, sir.

Mr. FASCELL. Yet, you testified that your definition of an organized crime individual is more liberal than that used by the Organized Crime Section.

Mr. KOLAR. Can I say that it was more liberal—in the statistics keeping. We still have different definitions of organized crime. However, it seems to me that for the purposes of working with the Department of Justice, we are not as concerned with definitions as we are with their acceptance of this individual by their definition as being a member of organized crime.

We might work it from a racketeer's standpoint, a tax evasion standpoint. But who and what is organized crime insofar as I am concerned must come out of the Department of Justice. And we abide by their decision and assist them as best we can.

Mr. FASCELL. What is the status of the Supreme Court cases in which the constitutionality of the wagering stamp is being questioned?

Mr. KOLAR. Still pending to my best knowledge.

Mr. FASCELL. What specific recommendations in the report might be of greater use to IRS?

Mr. KOLAR. Greater use to IRS or the Nation as a whole? I certainly believe that a continuing committee of Congress to keep abreast of the organized crime program would be a contribution to the Nation as a whole, and I frankly do not see how it would hurt—I think it would benefit IRS.

Insofar as IRS is concerned, again, I go back to the previous statement—

Mr. FASCELL. Excuse me. You mean a committee of Congress, not in the legislative sense, but in the oversight sense as we are now performing?

Mr. KOLAR. Yes, sir. I think this would be a real contribution to the success of the program and the welfare of the country.

Insofar as the work is concerned, the immunity from prosecution for prospective witnesses, and the protection of witnesses, are the only two that I can offhand suggest to the committee.

I might point out to the committee that we probably face a troublesome area in the future. We use undercover people, and undercover people have contributed a great deal to the success of investigations.

Mr. FASCELL. Paid informants.

Mr. KOLAR. Our own people in attempting to infiltrate organized crime.

Mr. FASCELL. Right.

Mr. KOLAR. This of course can be a future controversial area. And I would suggest that it be looked into, and that we either have the backing of the Congress in using this technique and the support, or that we in effect be told that this is a technique that the Government no longer wishes to see used.

I say this only based on experience we have had in the use of electronic equipment. Many thought they were doing right. It was found they were doing wrong. I think the same question can arise in the future with respect to undercover people.

Mr. FASCELL. I think you have a valid point there, and you are probably safe until somebody blows your cover.

Mr. KOLAR. I would like to anticipate—

Mr. GALLAGHER. Do you use electronic equipment now?

Mr. KOLAR. I would say the use of electronic equipment is practically zero. We use a recorder to record an interview. Everything is above board.

Mr. GALLAGHER. No, no, not an interview. I can see that. I am talking now about an eavesdropping device.

Mr. KOLAR. We don't use eavesdropping devices. Our restrictions are so tight that we are just about out of business with respect to the use of electronic equipment.

Mr. GALLAGHER. And do you use wiretapping?

Mr. KOLAR. Of course not—not under present conditions.

Mr. GALLAGHER. You say of course not as if this was never used.

Mr. KOLAR. No, no. We just don't use wiretapping. Certainly we all know it has been used. I have been in investigations 25 years, and I think it has been there as long as I have been in it. The question is how it was used more than whether it was used, because the rules were not quite clear in my humble opinion.

Mr. GALLAGHER. I sure agree with that. Frankly, the Congress was at a great deal of fault in not giving some sense of direction on its use.

Mr. KOLAR. As an investigator, I have been looking for that direction for 25 years, to be very honest with you, to clear the air.

Mr. GALLAGHER. That is why I was happy that I introduced the first bill on eavesdropping in the Congress.

What is your feeling on the question of informants? While it might be helpful—do you think that there should be some group that you discuss this with, such as the CIA Watchdog Committee, so that you do not go down the same path again?

Mr. KOLAR. No. It is not a question of discussing it. Again, it is like electronic eavesdropping. Its use has been questioned.

I think its use is questioned by much of the citizenry. And if we can anticipate problems and resolve them, and accept responsibility for them, just like electronic equipment, we will do a far better job.

Mr. GALLAGHER. As I read all of these statements on organized crime, I find that gambling runs through it as the main source. What would your opinion be of legalizing gambling?

Mr. KOLAR. I have trouble with that.

Mr. GALLAGHER. Therefore, we might be able to eliminate all this sort of thing.

Mr. KOLAR. It is conceivable that that could happen—well policed—and again I am afraid it would have to be well policed. I would have no objection to legalizing gambling.

I don't think I am adequate to say that we should or should not. I think it would be a wonderful subject for further study.

Mr. GALLAGHER. Because sometimes I have the feeling as we go down the path toward—into all sorts of uncharted areas, especially

in the area of computers, and the invasion of privacy, that if there had been no Mafia, perhaps big Government would have had to invent one—a little like the Orwell book—every once in a while it was necessary to have a Hate Goldberg area.

We need a target. And the Mafia, of course, is a very popular target right now.

But one of the problems overlooked is that in the pursuit of this, many rights of the people are being eroded, and therefore if one of the great problems of crime in the United States is gambling, it would seem to me that it might be a far more enlightened way to legalize gambling—if people want to bet, then we ought to bet, report their taxes, and not be involved in criminal activities. You could get out of the Mafia business, and we could perhaps pay more attention to some of the greater problems, which is the breakdown of law and order on the streets. Organized crime does not embrace murder and rape and mugging and robberies and this sort of thing.

So I think while we all talk about organized crime, it might be better to dry it all up, if gambling is the chief source.

I note in your statement here that—the Federal Government—“The public has to be sold on the idea that stamping out organized crime is in the first instance a local obligation.”

I think what we are really doing—and I would like your comment on this—is developing a Federal police force.

Now, should we have this? Is it a problem of such magnitude we ought to have a Federal police force?

Mr. KOLAR. I don't think we would ever want a Federal police force. I would not. I would not want to be part of it.

On the other hand, I think there is plenty of room for Federal interest in assisting or aiding, if necessary, forcing a little bit the local police to do their job more effectively.

Mr. GALLAGHER. Oh, yes. I definitely agree with you.

Mr. KOLAR. I know of course your views on the invasion of privacy, and I would like to think that in many ways I share them—mine are as strong as yours. It just so happens I am in this business, and people assume that we tread on other people. And I don't think we—we try hard not to tread on other people and still do the job. I think the difference is that I live in one particular world in a sense and you in another, and you get this type information and I get the other. And I want to impress upon you, though, that the job we do, we try to do without injuring people who should never be injured. And this is a prime concern, believe it or not—it is as important as catching the criminal. We have to have balance in everything we do.

Mr. GALLAGHER. Mr. Kolar, I want to compliment you and the agency on this particular feeling. The thing that disturbs me is not the career people, because you people who have been in a long, long time have the responsibility of not only pursuing your job with great diligence, but also protecting the average citizen. But when you get into the exotic fields that the organized crime unit has got into—for instance, a computer with 3,100 names on it—but there is also 300,000 other names. It is quite conceivable that anybody who ever was in the same theater with an organized crime identified type is going to find that moment of his life frozen into a Government computer, and forever more he remains part of the organized crime complex.

I think this has not been thoroughly thought out, what we really do not want to do with this.

Mr. KOLAR. I have seen plenty of instances of people's name getting in the file and going from place to place. I do not like it any more than anybody else. The only question that has to be decided is, Are these 300,000 names essential to intelligently combat organized crime? I think if you were convinced they are, you would agree that we must have them, in the best interests of the country.

I think if the Department of Justice could be convinced—and I am sure they are openminded—I have found them that way—that the names are not essential, they would be the first to want to purge them from the files. Unfortunately, though, we do not seem to get together long enough and often enough to have this decision made. Either it is essential or it is not.

Mr. GALLAGHER. I worry about what is going to happen with this tremendous police type—police state organization when all of the organized crime types disappear from the scene, 5, 10, 15 years from now, and we have in fact the great mechanism of a police state, that can then be used for political purposes.

Mr. KOLAR. First we must make them disappear. And I am sure that—nobody wants an empire in an agency, unless he is a little bit warped. And I hope most of us are not, or none of us are. We want to do a job. And this is why—your interest in the job we are doing, I find it encouraging, because only by this type of communication can we all do the best job.

Believe it or not, it has been a real pleasure being before the committee. I hope I have been helpful. As I say, look at us, look at us hard. And if we are doing anything wrong correct us. We are the first to want to receive it.

Mr. GALLAGHER. Let me please compliment you on that particular statement, because if the whole Government is going to last, it is going to last through that kind of cooperation—if the Republic is going to survive. And I would hope there would be more people involved in the other side who would adopt the kind of attitude that you have just expressed.

Mr. KOLAR. It is the only attitude to have as far as I am concerned.

Mr. FASCELL. Thank you, Mr. Kolar.

The subcommittee stands adjourned, subject to call of the Chair.

(Whereupon, at 12:25 p.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.)

## APPENDIX

## TASK FORCE REPORT: ORGANIZED CRIME

[This section of the report is an annotated version of chapter 7 of the Commission's general report, "The Challenge of Crime in a Free Society." The appendixes which were printed with the task force report are not printed herewith.]

ORGANIZED CRIME is a society that seeks to operate outside the control of the American people and their governments. It involves thousands of criminals, working within structures as complex as those of any large corporation, subject to laws more rigidly enforced than those of legitimate governments. Its actions are not impulsive but rather the result of intricate conspiracies, carried on over many years and aimed at gaining control over whole fields of activity in order to amass huge profits.<sup>1</sup>

The core of organized crime activity is the supplying of illegal goods and services—gambling, loan sharking, narcotics, and other forms of vice—to countless numbers of citizen customers.<sup>2</sup> But organized crime is also extensively and deeply involved in legitimate business and in labor unions.<sup>3</sup> Here it employs illegitimate methods—monopolization, terrorism, extortion, tax evasion—to drive out or control lawful ownership and leadership and to exact illegal profits from the public.<sup>4</sup> And to carry on its many activities secure from governmental interference, organized crime corrupts public officials.<sup>5</sup>

Former Attorney General Robert F. Kennedy illustrated its power simply and vividly. He testified before a Senate subcommittee in 1963 that the physical protection of witnesses who had cooperated with the Federal Government in organized crime cases often required that those witnesses change their appearances, change their names, or even leave the country.<sup>6</sup> When the government of a powerful country is unable to protect its friends from its enemies by means less extreme than obliterating their identities surely it is being seriously challenged, if not threatened.

What organized crime wants is money and power. What makes it different from law-abiding organizations and individuals with those same objectives is that the ethical and moral standards the criminals adhere to, the

laws and regulations they obey, the procedures they use are private and secret ones that they devise themselves, change when they see fit, and administer summarily and invisibly. Organized crime affects the lives of millions of Americans, but because it desperately preserves its invisibility many, perhaps most, Americans are not aware how they are affected, or even that they are affected at all. The price of a loaf of bread may go up one cent as the result of an organized crime conspiracy, but a housewife has no way of knowing why she is paying more.<sup>7</sup> If organized criminals paid income tax on every cent of their vast earnings everybody's tax bill would go down, but no one knows how much.<sup>8</sup>

But to discuss the impact of organized crime in terms of whatever direct, personal, everyday effect it has on individuals is to miss most of the point. Most individuals are not affected, in this sense, very much. Much of the money organized crime accumulates comes from innumerable petty transactions: 50-cent bets, \$3-a-month private garbage collection services, quarters dropped into racketeer-owned jukeboxes, or small price rises resulting from protection rackets. A one-cent-a-loaf rise in bread may annoy housewives, but it certainly does not impoverish them.

Sometimes organized crime's activities do not directly affect individuals at all. Smuggled cigarettes in a vending machine cost consumers no more than tax-paid cigarettes, but they enrich the leaders of organized crime. Sometimes these activities actually reduce prices for a short period of time, as can happen when organized crime, in an attempt to take over an industry, starts a price war against legitimate businessmen. Even when organized crime engages in a large transaction, individuals may not be directly affected. A large sum of money may be diverted from a union pension fund to finance a

<sup>1</sup> The Kefauver committee found that:

"1. There is a Nation-wide crime syndicate known as the Mafia, whose tentacles are found in many large cities. It has international ramifications which appear most clearly in connection with the narcotic traffic.

"2. Its leaders are usually found in control of the most lucrative rackets in their cities.

"3. There are indications of a centralized direction and control of these rackets, but leadership appears to be in a group rather than in a single individual.

"4. The Mafia is the cement that helps to bind the Costello-Adonis-Lansky syndicate of New York and the Accardo-Couti-Pischke syndicate of Chicago as well as smaller criminal gangs and individual criminals throughout the country. These groups have kept in touch with Luciano since his deportation from this country.

"5. The domination of the Mafia is based fundamentally on 'muscle' and 'murder.' The Mafia is a secret conspiracy against law and order which will ruthlessly eliminate anyone who stands in the way of its success in any criminal scheme. It will use any means available: political influence, bribery, intimidation, etc., to defeat any attempt on the part of law-enforcement to touch its top figures or to interfere with its operations."

Sen. Special Comm. to Investigate Organized Crime in Interstate Commerce (hereinafter cited as Kefauver Comm.), 82d Interim Rep., 1st Sess., 807, 82d Cong., 1st Sess. 150 (1951). See also OFFICE OF THE N.Y. COMPTROLLER TO THE GOV., COMBATING ORGANIZED CRIME—A HISTORY OF THE 1965 OYSTER BAY, NEW YORK, CONFERENCE ON COMBATING ORGANIZED CRIME (1966).

<sup>2</sup> Johnson, *Organized Crime: Challenge to the American Legal System* (pts. 1-3), 53 J. CRIM. L., C. & P.S. 399, 402-04 (1962), 34 J. CRIM. L., & P.S. 1, 127 (1963).

<sup>3</sup> See generally Sen. Select Comm. on Improper Activities in the Labor or Management Field (hereinafter cited as McClellan, Labor-Mgt. Rep.), 83d Interim Rep., 1st Sess., 1417, 83d Cong., 2d Sess. (1965), 2d Interim Rep.

(pts. 1 & 2), 1st Sess., 621, 86th Cong., 1st Sess. (1959), Final Rep. (pts. 1-4), 1st Sess., 1139, 86th Cong., 2d Sess. (1960), Index to Reports, 86th Cong., 2d Sess. (1960).

"A gangster or racketeer in a legitimate business does not suddenly become respectable. . . . [E]vidence was produced before the committee concerning the use of unscrupulous and discriminatory business practices, extortion, bombing and other forms of violence to eliminate competitors and to compel customers to take articles sold by the mobsters." Kefauver Comm., 82d Interim Rep., 1st Sess., 807, 82d Cong., 1st Sess. 170 (1951).

<sup>7</sup> Johnson, *supra* note 2, at 412-14, 419-22; Kefauver Comm., 82d Interim Rep., 1st Sess., 807, 82d Cong., 1st Sess. 183-84 (1951).

<sup>8</sup> Hearings Before the Permanent Subcommittee on Investigations of the Senate Comm. on Government Operations (hereinafter cited as McClellan, Narcotics Hearings), 86th Cong., 1st Sess., pt. 1, at 25 (1965).

<sup>9</sup> Kefauver Comm., 82d Interim Rep., 1st Sess., 807, 82d Cong., 1st Sess. 170-71 (1951). "There can be little doubt that the public suffers from gangster penetration into legitimate business. It suffers because higher prices must be paid for articles and services which it must buy. . . . The public suffers because it may have to put up with shoddy and inferior merchandise in fields where gangsters have been able to obtain a monopoly."

<sup>10</sup> One indication of the amount of tax revenue lost is found in the testimony of Comm'r of Internal Revenue Sheldon S. Cohen before the Senate Subcommittee on Administrative Practice and Procedure on July 13, 1965. He stated that during the period between February 1961 and March 13, 1965, more than \$210 million in taxes and penalties had been recommended for assessment against subjects of the Federal organized crime drive. Hearings Before the Subcommittee on Administrative Practice and Procedure of the Sen. Comm. on the Judiciary (hereinafter cited as Long Comm. Hearings), 89th Cong., 1st Sess., pt. 3, at 1119 (1965).

<sup>11</sup> See generally McClellan, Labor-Mgt. Reps., Final Rep., 1st Sess., 1139, 86th Cong., 2d Sess., pt. 4 (1960).



business venture without immediate and direct effect upon the individual members of the union.<sup>10</sup>

It is organized crime's accumulation of money, not the individual transactions by which the money is accumulated, that has a great and threatening impact on America. A quarter in a jukebox means nothing and results in nothing. But millions of quarters in thousands of jukeboxes can provide both a strong motive for murder and the means to commit murder with impunity.<sup>11</sup> Organized crime exists by virtue of the power it purchases with its money. The millions of dollars it can invest in narcotics or use for layoff money give it power over the lives of thousands of people and over the quality of life in whole neighborhoods.<sup>12</sup> The millions of dollars it can throw into the legitimate economic system give it power to manipulate the price of shares on the stock market,<sup>13</sup> to raise or lower the price of retail merchandise, to determine whether entire industries are union or nonunion, to make it easier or harder for businessmen to continue in business.<sup>14</sup>

The millions of dollars it can spend on corrupting public officials may give it power to name or murder people inside or outside the organization with impunity; to extort money from businessmen; to conduct businesses in such fields as liquor, meat, or drugs without regard to administrative regulations; to avoid payment of income taxes or to secure public works contracts without competitive bidding.<sup>15</sup>

The purpose of organized crime is not competition with visible, legal government but nullification of it. When organized crime places an official in public office, it nullifies the political process. When it bribes a police official, it nullifies law enforcement.

There is another, more subtle way in which organized crime has an impact on American life. Consider the former way of life of Frank Costello, a man who has repeatedly been called a leader of organized crime. He lived in an expensive apartment on the corner of 72d Street and Central Park West in New York. He was often seen dining in well-known restaurants in the company of judges, public officials, and prominent businessmen. Every morning he was shaved in the barbershop of the Waldorf Astoria Hotel. On many weekends he played golf at a country club on the fashionable North Shore of Long Island. In short though his reputation was common knowledge, he moved around New York conspicuously and unashamedly, perhaps ostracized by some people but more often accepted, greeted by journalists, recognized by children, accorded all the freedoms of a prosperous and successful man. On a society that treats such a man in such a manner, organized crime has had an impact.

And yet the public remains indifferent. Few Americans seem to comprehend how the phenomenon of or-

ganized crime affects their lives. They do not see how gambling with bookmakers, or borrowing money from loan sharks, forwards the interests of great criminal cartels.<sup>16</sup> Businessmen looking for labor harmony or non-union status through irregular channels rationalize away any suspicions that organized crime is thereby spreading its influence. When an ambitious political candidate accepts substantial cash contributions from unknown sources, he suspects but dismisses the fact that organized crime will dictate some of his actions when he assumes office.<sup>17</sup>

President Johnson asked the Commission to determine why organized crime has been expanding despite the Nation's best efforts to prevent it. The Commission drew upon the small group of enforcement personnel and other knowledgeable persons who deal with organized crime. Federal agencies provided extensive material. But because so little study and research have been done in this field, we also secured the assistance of sociologists, systems analysts, political scientists, economists, and lawyers.<sup>18</sup> America's limited response to organized crime is illustrated by the fact that, for several of these disciplines, our call for assistance resulted in their first concentrated examination of organized crime.

## THE TYPES OF ORGANIZED CRIMINAL ACTIVITIES

### CATERING TO PUBLIC DEMANDS

Organized criminal groups participate in any illegal activity that offers maximum profit at minimum risk of law enforcement interference. They offer goods and services that millions of Americans desire even though declared illegal by their legislatures.

**Gambling**<sup>19</sup> Law enforcement officials agree almost unanimously that gambling is the greatest source of revenue for organized crime.<sup>20</sup> It ranges from lotteries, such as "numbers" or "bolita," to off-track horse betting, bets on sporting events, large dice games and illegal casinos. In large cities where organized criminal groups exist, very few of the gambling operators are independent of a large organization.<sup>21</sup> Anyone whose independent operation becomes successful is likely to receive a visit from an organization representative who convinces the independent, through fear or promise of greater profit, to share his revenue with the organization.<sup>22</sup>

Most large-city gambling is established or controlled by organized crime members through elaborate hierarchies.<sup>23</sup> Money is filtered from the small operator who takes the customer's bet, through persons who pick up

<sup>10</sup> Such bootlegging activities cost the city and State of New York about \$40 million a year in lost tax revenues. N.Y. Times, Feb. 2, 1967, p. 21.

<sup>11</sup> For a discussion of the problems of cigarette smuggling in New York State, see Weintraub, A Report on Bootlegging of Cigarettes in the City and State of New York, Jan. 1966 (prepared for Cigarette Merchandisers Ass'n, Inc., New York, N.Y.); Weintraub & Kaufman, Bootlegging of Cigarettes, Jan. 1967 (prepared for Wholesale Tobacco Distributors of New York, Inc., New York, N.Y.). See also Weintraub, The Bootlegging of Cigarettes is a National Problem, Oct. 1966 (prepared for Wholesale Tobacco Distributors of New York, Inc., New York, N.Y.).

<sup>12</sup> Peterson, Chicago: Shores of Capone, April, May 1963, p. 30.

<sup>13</sup> Kefauver Comm., 3d Interim Rep., s. rep. no. 307, 82d Cong., 1st Sess. 171 (1951).

<sup>14</sup> See Lebowitz, New York: Criminal Influence of the Securities Industry, Annals, May 1963, p. 51. See also excerpt from Porter, On Wall Street, N.Y. Post, Aug. 3-7, 1959, in organized crime in AMERICA 298 (Tyler ed. 1962).

<sup>15</sup> Johnson, supra note 2, at 406.

<sup>16</sup> Kefauver Comm., 3d Interim Rep., s. rep. no. 307, 82d Cong., 1st Sess. 30-146 (1951).

<sup>17</sup> See generally COOK, THE TWO DOLLAR BET MEANS MURDER (1961).

<sup>18</sup> For an excellent discussion of the influence of underworld money in politics, see NEARD, THE CODE OF DEMOCRACY 154-68 (1960).

<sup>19</sup> Selected papers of Commission consultants appear in the appendices to this volume.

<sup>20</sup> See generally Permanent Subcomm. on Investigations of the Sen. Comm. on Gov't Operations, Gambling and Organized Crime (hereinafter cited as McClellan, Gambling Rep.), s. rep. no. 1810, 87th Cong., 2d Sess. (1962). See also N.Y. TEMPORARY COMMISSION OF INVESTIGATION, HYDROLYZED GAMBLING IN NEW YORK STATE (1961).

<sup>21</sup> "Gambling is the principle source of income for organized criminal gangs in the country," Kefauver Comm., 2d Interim Rep., s. rep. no. 141, 82d Cong., 1st Sess. 11 (1951).

<sup>22</sup> "According to major Federal, state and local law enforcement officials who have made studies and who are known to the subcommittee staff, organized crime in the United States is primarily dependent upon illicit gambling, a multibillion dollar market, for the necessary funds required to operate other criminal and illegal activities or enterprises," McClellan, Gambling Rep., s. rep. no. 1830, 87th Cong., 2d Sess. 3 (1962).

<sup>23</sup> Information submitted to Commission by a Federal agency.

<sup>24</sup> Statement by then Deputy Inspector Arthur C. Grubert, New York City Police Dept., in Services Training Program, Apr. 19, 1965, New York, N.Y.

<sup>25</sup> "Number gambling follows the general pattern of organization of all large scale vice and crime. This pattern consists of four basic elements: (1) an

money and slips, to second-echelon figures in charge of particular districts, and then into one of several main offices.<sup>21</sup> The profits that eventually accrue to organization leaders move through channels so complex that even persons who work in the betting operation do not know or cannot prove the identity of the leader. Increasing use of the telephone for lottery and sports betting has facilitated systems in which the bookmaker may not know the identity of the second-echelon person to whom he calls in the day's bets. Organization not only creates greater efficiency and enlarges markets,<sup>22</sup> it also provides a systematized method of corrupting the law enforcement process by centralizing procedures for the payment of graft.<sup>23</sup>

Organization is also necessary to prevent severe losses. More money may be bet on one horse or one number with a small operator than he could pay off if that horse or that number should win. The operator will have to hedge by betting some money himself on that horse or that number. This so-called "layoff" betting is accomplished through a network of local, regional, and national layoff men, who take bets from gambling operations.<sup>27</sup>

There is no accurate way of ascertaining organized crime's gross revenue from gambling in the United States. Estimates of the annual intake have varied from \$7 to \$50 billion.<sup>28</sup> Legal betting at racetracks reaches a gross annual figure of almost \$5 billion, and most enforcement officials believe that illegal wagering on horse races, lotteries, and sporting events totals at least \$20 billion each year. Analysis of organized criminal betting operations indicates that the profit is as high as one-third of gross revenue—or \$6 to \$7 billion each year. While the Commission cannot judge the accuracy of these figures, even the most conservative estimates place substantial capital in the hands of organized crime leaders.<sup>29</sup>

**Loan Sharking.**<sup>30</sup> In the view of most law enforcement officials loan sharking, the lending of money at higher rates than the legally prescribed limit, is the second largest source of revenue for organized crime.<sup>31</sup> Gam-

bling profits provide the initial capital for loan-shark operations.<sup>32</sup>

No comprehensive analysis has ever been made of what kinds of customers loan sharks have, or of how much or how often each kind borrows. Enforcement officials and other investigators do have some information. Gamblers borrow to pay gambling losses;<sup>33</sup> narcotics users borrow to purchase heroin. Some small businessmen borrow from loan sharks when legitimate credit channels are closed.<sup>34</sup> The same men who take bets from employees in mass employment industries also serve at times as loan sharks, whose money enables the employees to pay off their gambling debts or meet household needs.<sup>35</sup>

Interest rates vary from 1 to 150 percent a week, according to the relationship between the lender and borrower, the intended use of the money, the size of the loan, and the repayment potential.<sup>36</sup> The classic "6-for-5" loan, 20 percent a week, is common with small borrowers. Payments may be due by a certain hour on a certain day, and even a few minutes' default may result in a rise in interest rates. The lender is more interested in perpetuating interest payments than collecting principal; and force, or threats of force of the most brutal kind, are used to effect interest collection, eliminate protest when interest rates are raised, and prevent the beleaguered borrower from reporting the activity to enforcement officials.<sup>37</sup> No reliable estimates exist of the gross revenue from organized loan sharking, but profit margins are higher than for gambling operations, and many officials classify the business in the multi-billion-dollar range.<sup>38</sup>

**Narcotics.**<sup>39</sup> The sale of narcotics is organized like a legitimate importing-wholesaling-retailing business. The distribution of heroin, for example, requires movement of the drug through four or five levels between the importer and the street peddler.<sup>40</sup> Many enforcement officials believe that the severity of mandatory Federal narcotics penalties has caused organized criminals to restrict their activities to importing and wholesale distribution.<sup>41</sup>

elaborate hierarchical organization of personnel, (2) a spatial organization in which a wide territory is controlled from a central metropolitan area, (3) the "fix" in which public officials, principally police and politicians, are drawn into and made a part of the organization, (4) legal aid in which members of the legal profession become the advisors and consultants of the organization." Carlson, *disertation*, Univ. of Mich. Dep't of Sociology, 1916, unpublished Ph.D. thesis.

As it was reported, for example, that in Detroit there were almost 100 pool-rooms involved in the operation of one lottery enterprise. Bet slips were delivered by 30 "lick up" men to subventions where they were tabulated. After a "bookkeeper" determined the winning slips, the proceeds were taken to a "section chief" who passed a portion up through the hierarchy. McClellan, *supra* note 2, at 460-62 (1963).

In his statement to the Temporary Commission of Investigation of the State of New York on Apr. 22, 1960, Charles R. Thon, Comm'r of Police of Suffolk County (Eastern Long Island), N.Y., said: "The advantages of syndicate operation absolute backing which eliminated the need to lay off, thus permitting vast net on a 50-50 basis than he formerly made when he controlled the entire betting and players, which made the bookie merely a collector of money, credited on the books of the syndicate through an efficient bookkeeping system, and reducing the efficiency of telephone taps; and (3) the syndicate for protection, and 'stand-up men' where feasible." *Idem*, p. 2.

"It is somewhat startling to learn that the syndicates are particularly happy with the consolidation of the nine police departments into the Suffolk County Police Department, as they feel that protection is easier to arrange through one agency than through many. The intensive campaign against gamblers instituted by this Department commencing January 1st had the astounding side effect in suspending the independent into the arms of the syndicate for protection, and the syndicate can now pick and choose those operators which they wish to admit." *Idem*.

<sup>27</sup> See Cressy, *The Functions and Structure of Criminal Syndicates*, Sept. 1966, at 35-36, printed as appendix A of this volume.

<sup>28</sup> "(G)ambling is the leading source of organization revenue, accounting for probably half of organization profits. It has been estimated that [illegal] gambling grossed from seven to twenty billion dollars annually." Johnson, *supra* note 2, at 402. For some estimates on the volume of illegal gambling, see *id.* at 402.

<sup>29</sup> "Gambling profits are the principal support of big-time racketeering and criminals are converted into big-time racketeers, political bosses, pseudo businessmen, and alleged philanthropists." Kefauver Comm., 2d Interim Rep., s. rep. no.

207, 80d Cong., 1st Sess. 2 (1961).

<sup>30</sup> For an excellent treatment of the subject in New York State, see N.Y. TEMPORARY COMM'N OF INVESTIGATION, THE LOAN SHARK RACKET (1965).

<sup>31</sup> "(S)hocking . . . represents a substantial portion of the multibillion dollar take of organized crime." Johnson, *supra* note 2, at 403.

<sup>32</sup> Permanent Subcomm. on Investigations of the Sen. Comm. on Gov't Operations, *Organized Crime and Illicit Traffic in Narcotics* (hereinafter cited as McClellan, *Narcotics Rep.*), s. rep. no. 72, 89th Cong., 1st Sess. 18 (1965); testimony of J. Edgar Hoover, *Hearings Before the Subcomm. on Dep't of State, Justice, and Commerce, the Judiciary, and Related Agencies Appropriations of the House Comm. on Appropriations*, 89th Cong., 2d Sess. 272 (1966).

<sup>33</sup> In his statement to the Temporary Commission of Investigation of the State of New York on Apr. 22, 1960, Comm'r Charles R. Thon described how loan sharking provided the means for organizing previously independent bookmakers.

<sup>34</sup> "Speaking generally, prior to 1958, professional gambling in Suffolk County was conducted primarily by independent operators. There was no known pattern of organized gambling beyond the usual facilities for laying off, and no reported rackets or collateral criminal activities."

"About two years ago, representatives of one or more syndicates began approaching these independent gambling operators with a view to incorporating them into syndicated operations. By and large, these independent gamblers refused to be so organized, and the syndicates withdrew their efforts without resort to rough tactics. The syndicates then commenced an intensive campaign of infiltration, wherein the principle M.O. was *finance*. With open pocketbooks, the syndicates recruited a number of independent operators, by financing their operations until these bookies were hooked. Part of this system included the notorious 6 for 5 plus 5 per cent per week, which meant simply that they financed \$5.00 borrowed, plus the staggering interest of 5 per cent per week. It follows that a bookie who had a couple of bad weeks was completely hooked and fell under the control of the syndicate. Most of these independent bookies were small businessmen, including the typical barber, candy store operator and the like, without the financial resources to withstand this squeeze, which was effectively accomplished by the money men of the syndicate. Once hooked, the bookies now worked for the syndicate on a 50-50 basis."

<sup>35</sup> See generally McClellan, *Narcotics Hearings*, 89th Cong., 1st Sess., pt. 1 & 2 (1965).

<sup>36</sup> See generally McClellan, *Narcotics Hearings*, 89th Cong., 1st Sess., pt. 1 & 2 (1965).

<sup>37</sup> See generally McClellan, *Narcotics Hearings*, 89th Cong., 1st Sess., pt. 1 & 2 (1965).

<sup>38</sup> See generally McClellan, *Narcotics Hearings*, 89th Cong., 1st Sess., pt. 1 & 2 (1965).

<sup>39</sup> See generally McClellan, *Narcotics Hearings*, 89th Cong., 1st Sess., pt. 1 & 2 (1965).

<sup>40</sup> See generally McClellan, *Narcotics Hearings*, 89th Cong., 1st Sess., pt. 1 & 2 (1965).

<sup>41</sup> See generally McClellan, *Narcotics Hearings*, 89th Cong., 1st Sess., pt. 1 & 2 (1965).

They stay away from smaller-scale wholesale transactions or dealing at the retail level. Transactions with addicts are handled by independent narcotics pushers using drugs imported by organized crime.<sup>42</sup>

The large amounts of cash and the international connections necessary for large, long-term heroin supplies can be provided only by organized crime. Conservative estimates of the number of addicts in the Nation and the average daily expenditure for heroin indicate that the gross heroin trade is \$350 million annually,<sup>43</sup> of which \$21 million are probably profits to the importer and distributor.<sup>44</sup> Most of this profit goes to organized crime groups in those few cities in which almost all heroin consumption occurs.

**Other Goods and Services.** Prostitution and bootlegging play a small and declining role in organized crime's operations.<sup>45</sup> Production of illegal alcohol is a risky business. The destruction of stills and supplies by law enforcement officers during the initial stages means the loss of heavy initial investment capital. Prostitution is difficult to organize and discipline is hard to maintain. Several important convictions of organized crime figures in prostitution cases in the 1930's and 1940's made the criminal executives wary of further participation.<sup>46</sup>

#### BUSINESS AND LABOR INTERESTS

**Infiltration of Legitimate Business.** A legitimate business enables the racket executive to acquire respectability in the community and to establish a source of funds that appears legal and upon which just enough taxes may be paid to avoid income tax prosecution.<sup>47</sup> Organized crime invests the profit it has made from illegal service activities in a variety of businesses throughout the country.<sup>48</sup> To succeed in such ventures, it uses accountants, attorneys, and business consultants, who in some instances work exclusively on its affairs.<sup>49</sup> Too often, because of the reciprocal benefits involved in organized crime's dealings with the business world, or because of fear, the legitimate sector of society helps the illegitimate sector.<sup>50</sup> The Illinois Crime Commission, after investigating one service industry in Chicago, stated:

*There is a disturbing lack of interest on the part of some legitimate business concerns regarding the identity of the persons with whom they deal. This lackadaisical attitude is conducive to the perpetration of frauds and the infiltration and subversion of legitimate businesses by the organized criminal element.<sup>51</sup>*

Because business ownership is so easily concealed, it is difficult to determine all the types of businesses that

organized crime has penetrated.<sup>52</sup> Of the 75 or so racket leaders who met at Apalachin, N.Y., in 1937, at least 9 were in the coin-operated machine industry, 16 were in the garment industry, 10 owned grocery stores, 17 owned bars or restaurants, 11 were in the olive oil and cheese business, and 9 were in the construction business. Others were involved in automobile agencies, coal companies, entertainment, funeral homes, ownership of horses and race tracks, linen and laundry enterprises, trucking, waterfront activities, and bakeries.<sup>53</sup>

Today, the kinds of production and service industries and businesses that organized crime controls or has invested in range from accounting firms to yeast manufacturing. One criminal syndicate alone has real estate interests with an estimated value of \$300 million.<sup>54</sup> In a few instances, racketeers control nationwide manufacturing and service industries with known and respected brand names.<sup>55</sup>

Control of business concerns has usually been acquired through one of four methods: (1) investing concealed profits acquired from gambling and other illegal activities; (2) accepting business interests in payment of the owner's gambling debts; (3) foreclosing on usurious loans; and (4) using various forms of extortion.<sup>56</sup>

Acquisition of legitimate businesses is also accomplished in more sophisticated ways. One organized crime group offered to lend money to a business on condition that a racketeer be appointed to the company's board of directors and that a nominee for the lenders be given first option to purchase if there were any outside sale of the company's stock.<sup>57</sup> Control of certain brokerage houses was secured through foreclosure of usurious loans, and the businesses then used to promote the sale of fraudulent stock, involving losses of more than \$2 million to the public.<sup>58</sup>

Criminal groups also satisfy defaulted loans by taking over businesses, hiring professional arsonists to burn buildings and contents, and collecting on the fire insurance. Another tactic was illustrated in the recent bankruptcy of a meatpacking firm in which control was secured as payment for gambling debts. With the original owners remaining in nominal management positions, extensive product orders were placed through established lines of credit, and the goods were immediately sold at low prices before the suppliers were paid. The organized criminal group made a quick profit of three-quarters of a million dollars by pocketing the receipts from sale of the products ordered and placing the firm in bankruptcy without paying the suppliers.<sup>59</sup>

<sup>42</sup> *Id.* at 121-22.

<sup>43</sup> *Id.* at 120.

<sup>44</sup> Information submitted to Commission by a Federal agency.

<sup>45</sup> "Gambling has supplanted prostitution and bootlegging as the chief source of revenue for organized crime. Before the First World War, the major profits of organized criminals were obtained from prostitution. The passage of the Mann-White Slave Act, the changing sexual mores, and public opinion, combined to make commercialized prostitution a less profitable and more hazardous enterprise." Kefauver Comm., 3d Interim Rep., S. REP. NO. 101, 82d Cong., 1st Sess., II (1952).

<sup>46</sup> For a recent investigation of commercialized prostitution, see N.Y. temporary commission on investigation, *an investigation of law enforcement in Buffalo* (1961).

<sup>47</sup> *People v. Luciano*, 277 N.Y. 348, 34 N.E.2d 433, cert. denied sub nom., *Luciano v. New York*, 305 U.S. 620 (1938). See also *Howells, Miners Trusts Culture* (1939), and for a brief description of Charles Luciano's role in organized crime, see excerpt from *Seven Men, Motherhood of Evil* (1959). In *Organized Crime in America* 262 (Tyler ed. 1962).

<sup>48</sup> See Kefauver Comm., 3d Interim Rep., S. REP. NO. 307, 82d Cong., 1st Sess., 170 (1951).

<sup>49</sup> "Criminals and racketeers are using the profits of organized crime to buy up and operate legitimate enterprises." Kefauver Comm., 3d Interim Rep., S. REP. NO. 307, 82d Cong., 1st Sess., 170 (1951).

<sup>49</sup> "Mobsters and racketeers have been assisted by some tax accountants and tax lawyers in defrauding the Government." *Id.* at 4.

<sup>50</sup> "In some instances legitimate businessmen have aided the interests of the underworld by executing lucrative contracts to gangsters and mobsters in return for help in handling employees, defeating attempts at unionization, and in breaking strikes." *Id.* at 5.

<sup>51</sup> 1965 ILL. CRIME INVESTIGATING COMM'n REP. 11.

<sup>52</sup> "Using dummy fronts, the real owners of a business, the men who put up the money, never have to list themselves as owners or partners or as even being involved in any way in the business." Guttner, *Mafia Steps Up Infiltration and Control of Businesses*, N.Y. Times, Feb. 15, 1965, p. 1, col. 3, at 65, col. 1.

<sup>53</sup> McClellan, *Labon-Mat. Rep.*, Final Rep., S. REP. NO. 1125, 80th Cong., 2d Sess., pt. 3, at 487-88 (1968). The report of the Kefauver Committee provides a discussion of the degree of infiltration into legitimate business, including a list of 50 types of business enterprises in which organized crime is involved.

<sup>54</sup> Kefauver Comm., 3d Interim Rep., S. REP. NO. 307, 82d Cong., 1st Sess., 170-81 (1951).

<sup>55</sup> Information submitted to Commission by a Federal agency.

<sup>56</sup> *Id.*

<sup>57</sup> *Id.*

<sup>58</sup> *Id.*

<sup>59</sup> *Id.* See also Guttner, *supra* note 5, at 65, cols. 3-6.

<sup>60</sup> 10, cols. 1-3. *Hearings Before the Subcommittee on Criminal Laws and Procedures of the Sen. Comm. on the Judiciary*, 89th Cong., 2d Sess., at 204-06 (1966).

Too little is known about the effects on the economy of organized crime's entry into the business world, but the examples above indicate the harm done to the public<sup>60</sup> and at least suggest how criminal cartels can undermine free competition.<sup>61</sup> The ordinary businessman is hard pressed to compete with a syndicate enterprise. From its gambling and other illegal revenue—on most of which no taxes are paid—the criminal group always has a ready source of cash with which to enter any business. Through union connections, the business run by organized crime either prevents unionization or secures "sweetheart" contracts from existing unions.<sup>62</sup> These tactics are used effectively in combination. In one city, organized crime gained a monopoly in garbage collection by preserving the business's nonunion status and by using cash reserves to offset temporary losses incurred when the criminal group lowered prices to drive competitors out of business.<sup>63</sup>

Strong-arm tactics are used to enforce unfair business policy and to obtain customers.<sup>64</sup> A restaurant chain controlled by organized crime used the guise of "quality control" to insure that individual restaurant franchise holders bought products only from other syndicate-owned businesses. In one city, every business with a particular kind of waste product useful in another line of industry sold that product to a syndicate-controlled business at one-third the price offered by legitimate business.

The cumulative effect of the infiltration of legitimate business in America cannot be measured.<sup>65</sup> Law enforcement officials agree that entry into legitimate business is continually increasing and that it has not decreased organized crime's control over gambling, usury and other profitable, low-risk criminal enterprises.

**Labor Racketeering.**<sup>66</sup> Control of labor supply and infiltration of labor unions by organized crime prevent unionization of some industries, provide opportunities for stealing from union funds and extorting money by threats of possible labor strife, and provide funds from the enormous union pension and welfare systems for business ventures controlled by organized criminals. Union control also may enhance other illegal activities. Trucking, construction, and waterfront shipping entrepreneurs, in return for assurance that business operations will not be interrupted by labor discord, countenance gambling, loan sharking, and pilferage on company property. Organized criminals either direct these activities or grant "concessions" to others in return for a percentage of the profits.

Some of organized crime's effects on labor union affairs, particularly in the abuse of pension and welfare funds, were disclosed in investigations by Senator John McClellan's committee. In one case, almost immediately after

receiving a license as an insurance broker, the son of a major organized crime figure in New York City was chosen as the broker for a number of such funds, with significant commissions to be earned and made available for distribution to "silent partners." The youthful broker's only explanation for his success was that he had advertised in the classified telephone directory.<sup>67</sup>

In New York City, early in 1966, the head of one organized crime group was revealed to be a partner in a labor relations consulting firm. One client of the firm, a nationally prominent builder, said he did not oppose unions but that better and cheaper houses could be built without them. The question of why a legitimate businessman would seek the services of an untrained consultant with a criminal record to handle his labor relations was not answered.

#### LOCATION OF ORGANIZED CRIME ACTIVITIES

Organized criminal groups are known to operate in all sections of the Nation. In response to a Commission survey of 71 cities, the police departments in 80 percent of the cities with over 1 million residents, in 20 percent of the cities with a population between one-half million and a million, in 20 percent of the cities with between 250,000 and 500,000 population, and in over 50 percent of the cities between 100,000 and 250,000, indicated that organized criminal groups exist in their cities. In some instances Federal agency intelligence indicated the presence of organized crime where local reports denied it.<sup>68</sup> Of the nine cities not responding to the Commission survey,<sup>69</sup> six are known to Federal agencies to have extensive organized crime problems.<sup>70</sup> Where the existence of organized crime was acknowledged, all police departments indicated that the criminal group would continue even though a top leader died or was incarcerated.

Organized crime in small cities is more difficult to assess. Law enforcement personnel are aware of many instances in which local racket figures controlled crime in a smaller city and received aid from and paid tribute to organized criminal groups located in a nearby large city. In one Eastern town, for example, the local racket figure combined with outside organized criminal groups to establish horse and numbers gambling grossing \$1.3 million annually, an organized dice game drawing customers from four states and having an employee payroll of \$350,000 annually, and a still capable of producing \$4 million worth of alcohol each year. The town's population was less than 100,000.<sup>71</sup> Organized crime cannot be seen as merely a big-city problem.

<sup>60</sup> "There can be little doubt that the public suffers from gangster penetration into legitimate business. It suffers because higher prices must be paid for articles and services which it must buy. . . . The public suffers because it may have to put up with shoddy and inferior merchandise in fields where gangsters have been able to obtain a monopoly." Kefauver Comm., 2d Interim Rep., s. rep. no. 307, 82d Cong., 1st Sess. 170-71 (1951).

<sup>61</sup> See Johnson, *Organized Crimes Challenge to the American Legal System* (pt. 1), 53 J. CRIM. L., C. & P.S. 399, 406-07.

<sup>62</sup> See generally McClellan, *Labor-Mgt. Repts., 1st Interim Rep.*, s. rep. no. 3417, 85th Cong., 2d Sess. (1958); 2d Interim Rep. (pts. 1 & 2), s. rep. no. 621, 86th Cong., 1st Sess. (1959), *Final Rep.* (pts. 1-4), s. rep. no. 1139, 86th Cong., 2d Sess. (1960).

<sup>63</sup> Information submitted to Commission by a Federal agency.

<sup>64</sup> "When organized crime embarks on a venture in legitimate business it ordinarily brings to that venture all the techniques of violence and intimidation which are employed in its illegal enterprises." Johnson, *Organized Crimes: Challenge to the American Legal System* (pt. 1), 53 J. CRIM. L., C. & P.S. 399, 400-04 (1960).

<sup>65</sup> For a discussion of the criminal infiltration of legitimate activities, see Wooten, *An Overview of Organized Crime: Mores versus Morality*, Annals, May

1963, pp. 1, 6-7. For an excellent discussion of criminal infiltration into business in Chicago, see Peterson, *Chicago: Shades of Capone*, Annals, May 1963, pp. 30, 33-39.

<sup>66</sup> For a detailed examination of labor racketeering, see McClellan, *Labor-Mgt. Repts., 1st Interim Rep.*, s. rep. no. 3417, 85th Cong., 2d Sess. (1958); 2d Interim Rep. (pts. 1 & 2), s. rep. no. 621, 86th Cong., 1st Sess. (1959), *Final Rep.* (pts. 1-4), s. rep. no. 1139, 86th Cong., 2d Sess. (1960).

<sup>67</sup> Interview with James P. Kelly, former investigator for Sen. Select Comm. on Improper Activities in the Labor or Management Field, Nov. 23, 1966.

<sup>68</sup> Information submitted to Commission by a Federal agency. The Kefauver Committee encountered similar inconsistencies in responses of certain local law enforcement officials: "Whether out of ignorance or indifference is not clear, but some local authorities insisted, orally and in writing, that there was no organized crime in their jurisdiction, although the subsequent testimony proved them patently in error." Kefauver Comm., 2d Interim Rep., s. rep. no. 341, 82d Cong., 1st Sess. 7 (1951).

<sup>69</sup> Buffalo, N.Y.; Flint, Mich.; Kansas City, Kans.; Milwaukee, Wis.; Mobile, Ala.; Nashville, Tenn.; New Orleans, La.; Oakland, Calif.; Youngstown, Ohio.

<sup>70</sup> Information submitted to Commission by a Federal agency.

<sup>71</sup> *Ibid.*

## CORRUPTION OF THE ENFORCEMENT AND POLITICAL SYSTEMS<sup>72</sup>

Today's corruption is less visible, more subtle, and therefore more difficult to detect and assess than the corruption of the prohibition era. All available data indicate that organized crime flourishes only where it has corrupted local officials.<sup>73</sup> As the scope and variety of organized crime's activities have expanded, its need to involve public officials at every level of local government has grown. And as government regulation expands into more and more areas of private and business activity, the power to corrupt likewise affords the corrupter more control over matters affecting the everyday life of each citizen.

Contrast, for example, the way governmental action in contract procurement or zoning functions today with the way it functioned only a few years ago. The potential harm of corruption is greater today if only because the scope of governmental activity is greater. In different places at different times, organized crime has corrupted police officials, prosecutors, legislators, judges, regulatory agency officials, mayors, councilmen, and other public officials, whose legitimate exercise of duties would block organized crime and whose illegal exercise of duties helps it.<sup>74</sup>

Neutralizing local law enforcement is central to organized crime's operations. What can the public do if no one investigates the investigators, and the political figures are neutralized by their alliance with organized crime? Anyone reporting corrupt activities may merely be telling his story to the corrupted; in a recent "investigation" of widespread corruption, the prosecutor announced that any citizen coming forward with evidence of payments to public officials to secure government action would be prosecuted for participating in such unlawful conduct.

In recent years some local governments have been dominated by criminal groups. Today, no large city is completely controlled by organized crime, but in many there is a considerable degree of corruption.<sup>75</sup>

Organized crime currently is directing its efforts to corrupt law enforcement at the chief or at least middle-level supervisory officials. The corrupt political executive who ties the hands of police officials who want to act against organized crime is even more effective for organized crime's purposes.<sup>76</sup> To secure political power organized crime tries by bribes or political contributions to corrupt the nonoffice-holding political leaders to whom judges, mayors, prosecuting attorneys, and correctional officials may be responsive.

It is impossible to determine how extensive the corruption of public officials by organized crime has been. We do know that there must be more vigilance against such corruption, and we know that there must be better ways for the public to communicate information about corruption to appropriate governmental personnel.

## MEMBERSHIP AND ORGANIZATION OF CRIMINAL CARTELS<sup>77</sup>

Some law enforcement officials define organized crime as those groups engaged in gambling, or narcotics pushing, or loan sharking, or with illegal business or labor interests. This is useful to the extent that it eliminates certain other criminal groups from consideration, such as youth gangs, pickpocket rings, and professional criminal groups who may also commit many types of crimes, but whose groups are ad hoc. But when law enforcement officials focus exclusively on the crime instead of the organization, their target is likely to be the lowest-level criminals who commit the visible crimes. This has little effect on the organization.<sup>78</sup>

The Commission believes that before a strategy to combat organized crime's threat to America can be developed, that threat must be assessed by a close examination of organized crime's distinctive characteristics and methods of operation.

### NATIONAL SCOPE OF ORGANIZED CRIME

In 1951 the Kefauver Committee declared that a nationwide crime syndicate known as the Mafia operated in many large cities and that the leaders of the Mafia usually controlled the most lucrative rackets in their cities.<sup>79</sup>

In 1957, 20 of organized crime's top leaders were convicted (later reversed on appeal)<sup>80</sup> of a criminal charge arising from a meeting at Apalachin, N.Y. At the sentencing the judge stated that they had sought to corrupt and infiltrate the political mainstems of the country, that they had led double lives of crime and respectability, and that their probation reports read "like a tale of horrors."

Today the core of organized crime in the United States consists of 24 groups operating as criminal cartels in large cities across the Nation. Their membership is exclusively men of Italian descent, they are in frequent communication with each other, and their smooth functioning is insured by a national body of overseers.<sup>81</sup> To date, only the Federal Bureau of Investigation has been able to document fully the national scope of these groups, and FBI intelligence indicates that the organization as a whole has changed its name from the Mafia to La Cosa Nostra.

In 1966 J. Edgar Hoover told a House of Representatives Appropriations Subcommittee:

*La Cosa Nostra is the largest organization of the criminal underworld in this country, very closely organized and strictly disciplined. They have committed almost every crime under the sun . . .*

*La Cosa Nostra is a criminal fraternity whose membership is Italian either by birth or national origin, and it has been found to control major racket activities in many of our larger metropolitan areas, often working in concert with criminals representing other ethnic backgrounds.*

<sup>72</sup> "Finally, the public suffers because the vast economic resources that gangsters and racketeers control [enable] them to control their economic and political positions. Money, and particularly ready cash, is power in any community and over and over again this committee has found instances where racketeers' money has been used to exercise influence with Federal, state, and local officials and agencies of government . . . The money used by hoodlums to buy economic and political control is also used to induce public apathy." Kefauver Comm., 3d Interim Rep., 68 HRR. NO. 307, 82d Cong., 1st Sess. 171 (1951).

<sup>73</sup> "Corruption by organized crime is a normal condition of American local government and politics." Moylan, *The Private Government of Organized Crime*, The Reporter, July 6, 1961, p. 14.

<sup>74</sup> See, for example, *United States v. Kahaner*, 37 F.2d 469, cert. denied, 375 U.S. 836 (1963), in which a State judge, a Federal prosecutor, and a racketeer were involved in a conspiracy to obstruct justice in connection with the sentencing of a Federal law violator. See also Johnson, *supra* note 61, at 419-27.

<sup>75</sup> Information submitted to Commission by a Federal agency.

<sup>76</sup> "The largest single factor in the breakdown of law enforcement agencies in dealing with organized crime is the corruption and connivance of many public officials." ANA, REPORT ON ORGANIZED CRIME AND LAW ENFORCEMENT 16 (1952).

<sup>77</sup> See generally Crensey, *supra* note 37. For detailed information on organized crime members and their activities in various areas of the country, see McClellan, *Narcotics Hearings*, 88th Cong., 1st Sess., pts. 1 & 2 (1963), 1st & 2d Sess., pts. 3 & 4 (1963-64), 2d Sess., pt. 5 (1964).

<sup>78</sup> "Minor members . . . may be imprisoned, but the top leaders remain relatively untouched by law enforcement agencies." ANA, *op. cit.* *supra* note 76, at 13.

<sup>79</sup> Kefauver Comm., 3d Interim Rep., 68 HRR. NO. 307, 82d Cong., 1st Sess. 156 (1951).

<sup>80</sup> *United States v. Bufalino*, 285 F.2d 468 (2d Cir. 1960).

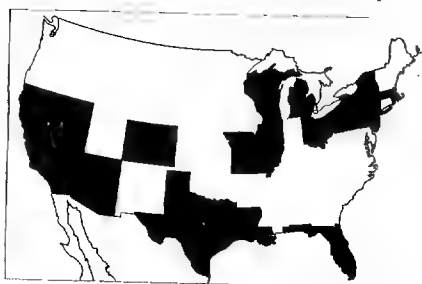
<sup>81</sup> See testimony of J. Edgar Hoover, *supra* note 32, at 272-74.

*It operates on a nationwide basis, with international implications, and until recent years it carried on its activities with almost complete secrecy. It functions as a criminal cartel, adhering to its own body of "law" and "justice" and, in so doing, thwarts and usurps the authority of legally constituted judicial bodies . . .*<sup>82</sup>

In individual cities, the local core group may also be known as the "outfit," the "syndicate," or the "mob."<sup>83</sup> These 24 groups work with and control other racket groups, whose leaders are of various ethnic derivations. In addition, the thousands of employees who perform the street-level functions of organized crime's gambling, usury, and other illegal activities represent a cross section of the Nation's population groups.

The present confederation of organized crime groups arose after Prohibition, during which Italian, German, Irish, and Jewish groups had competed with one another in racket operations. The Italian groups were successful in switching their enterprises from prostitution and bootlegging to gambling, extortion, and other illegal activities. They consolidated their power through murder and violence.<sup>84</sup>

Today, members of the 24 core groups reside and are active in the States shown on the map. The scope and



States in Which Organized Crime Core Group Members Both Reside and Operate

effect of their criminal operations and penetration of legitimate businesses vary from area to area. The wealthiest and most influential core groups operate in States including New York, New Jersey, Illinois, Florida, Louisiana, Nevada, Michigan, and Rhode Island.<sup>85</sup> Not shown on the map are many States in which members of core groups control criminal activity even though they do not reside there. For example, a variety of illegal activities in New England is controlled from Rhode Island.<sup>86</sup>

Recognition of the common ethnic tie of the 5,000 or more members of organized crime's core groups<sup>87</sup> is essential to understanding the structure of these groups today. Some have been concerned that past identification of Cosa Nostra's ethnic character has reflected on Italian-Americans generally. This false implication was elo-

quently refuted by one of the Nation's outstanding experts on organized crime, Sgt. Ralph Salerno of the New York City Police Department. When an Italian-American racketeer complained to him, "Why does it have to be one of your own kind that hurts you?", Sgt. Salerno answered:

*I'm not your kind and you're not my kind. My manners, morals, and mores are not yours. The only thing we have in common is that we both spring from an Italian heritage and culture—and you are the traitor to that heritage and culture which I am proud to be part of.*<sup>88</sup>

Organized crime in its totality thus consists of these 24 groups allied with other racket enterprises to form a loose confederation operating in large and small cities. In the core groups, because of their permanency of form, strength of organization and ability to control other racketeer operations, resides the power that organized crime has in America today.

#### INTERNAL STRUCTURE<sup>89</sup>

Each of the 24 groups is known as a "family," with membership varying from as many as 700 men to as few as 20. Most cities with organized crime have only one family; New York City has five. Each family can participate in the full range of activities in which organized crime generally is known to engage. Family organization is rationally designed with an integrated set of positions geared to maximize profits. Like any large corporation, the organization functions regardless of personnel changes, and no individual—not even the leader—is indispensable. If he dies or goes to jail, business goes on.

The hierarchical structure of the families resembles that of the Mafia groups that have operated for almost a century on the island of Sicily. Each family is headed by one man, the "boss," whose primary functions are maintaining order and maximizing profits. Subject only to the possibility of being overruled by the national advisory group, which will be discussed below, his authority in all matters relating to his family is absolute.

Beneath each boss is an "underboss," the vice president or deputy director of the family. He collects information for the boss; he relays messages to him and passes his instructions down to his own underlings. In the absence of the boss, the underboss acts for him.

On the same level as the underboss, but operating in a staff capacity, is the *consigliere*, who is a counselor, or adviser. Often an elder member of the family who has partially retired from a career in crime, he gives advice to family members, including the boss and underboss, and thereby enjoys considerable influence and power.

Below the level of the underboss are the *caporegime*, some of whom serve as buffers between the top members of the family and the lower-echelon personnel. To maintain their insulation from the police, the leaders of the hierarchy (particularly the boss) avoid direct communication with the workers. All commands, information, complaints, and money flow back and forth through a

<sup>82</sup> *Id.* at 272.

<sup>83</sup> See testimony of former New York City Police Comm'r Michael J. Murphy, McClellan, *Narcotics Hearings*, 80th Cong., 1st Sess., pt. 1, at 63 (1963); testimony of Capt. William D. J. Murphy, *Id.* pt. 2, at 506; OFFICE OF THE N.Y. COMMISSIONER OF CORRECTIONS, COMBATING ORGANIZED CRIME: A REPORT OF THE 1965 OVER DAY, NEW YORK, COMMISSIONER OF CORRECTIONS (1966).

<sup>84</sup> See generally ORGANIZED CRIME IN AMERICA 107-221 (Tyler ed. 1962).

<sup>85</sup> Information submitted to Commission by a Federal agency.

<sup>86</sup> *Id.*

<sup>87</sup> Testimony of J. Edgar Hoover, *Hearings Before the Subcomm. on Dept's of State, Justice, and Commerce, the Judiciary, and Related Agencies Appropriations of the House Comm. on Appropriations*, 80th Cong., 2d Sess., 273 (1966).

<sup>88</sup> Guttman, *City Police Expert on Mafia Retiring from Force*, N.Y. Times, Jan. 21, 1967, p. 85, col. 3.

<sup>89</sup> For an extensive discussion of the internal structure of the organized crime group, see Cressey, *The Functions and Structure of Criminal Syndicates*, Sept. 1956, at 31-39, printed as appendix A of this volume. See also McClellan, *Narcotics Hearings*, 80th Cong., 1st Sess., pts. 1 & 2 (1963), 1st & 2d Sess., pts. 3 & 4 (1963-64), 2d Sess., pt. 5 (1964).

trusted go-between. A *caporegima* fulfilling this buffer capacity, however, unlike the underboss, does not make decisions or assume any of the authority of his boss.

Other *caporegime* serve as chiefs of operating units. The number of men supervised in each unit varies with the size and activities of particular families. Often the *caporegima* has one or two associates who work closely with him, carrying orders, information, and money to the men who belong to his unit. From a business standpoint, the *caporegima* is analogous to plant supervisor or sales manager.

The lowest level "members" of a family are the *soldati*, the soldiers or "button" men who report to the *caporegime*. A soldier may operate a particular illicit enterprise, e.g., a loan-sharking operation, a dice game, a lottery, a bookmaking operation, a smuggling operation, on a commission basis, or he may "own" the enterprise and pay a portion of its profit to the organization, in return for the right to operate. Partnerships are common between two or more soldiers and between soldiers and men higher up in the hierarchy. Some soldiers and most upper-echelon family members have interests in more than one business.

Beneath the soldiers in the hierarchy are large numbers of employees and commission agents who are not members of the family and are not necessarily of Italian descent. These are the people who do most of the actual work in the various enterprises. They have no buffers or other insulation from law enforcement. They take bets, drive trucks, answer telephone, sell narcotics, tend the stills, work in the legitimate businesses. For example, in a major lottery business that operated in Negro neighborhoods in Chicago, the workers were Negroes; the bankers for the lottery were Japanese-Americans; but the game, including the banking operation, was licensed, for a fee, by a family member.<sup>80</sup>

The structure and activities of a typical family are shown in the chart on the following page.

There are at least two aspects of organized crime that characterize it as a unique form of criminal activity. The first is the element of corruption. The second is the element of enforcement, which is necessary for the maintenance of both internal discipline and the regularity of business transactions. In the hierarchy of organized crime there are positions for people fulfilling both of these functions. But neither is essential to the long-term operation of other types of criminal groups. The members of a pickpocket troupe or check-passing ring, for example, are likely to take punitive action against any member who holds out more than his share of the spoils, or betrays the group to the police; but they do not recruit or train for a well-established position of "enforcer."

Organized crime groups, on the other hand, are believed to contain one or more fixed positions for "enforcers," whose duty it is to maintain organizational integrity by arranging for the maiming and killing of recalcitrant members. And there is a position for a "corrupter," whose function is to establish relationships with those public officials and other influential persons whose assistance is necessary to achieve the organization's

goals.<sup>81</sup> By including these positions within its organization, each criminal cartel, or "family," becomes a government<sup>82</sup> as well as a business.

The highest ruling body of the 24 families is the "commission." This body serves as a combination legislature, supreme court, board of directors, and arbitration board; its principal functions are judicial. Family members look to the commission as the ultimate authority on organizational and jurisdictional disputes. It is composed of the bosses of the Nation's most powerful families but has authority over all 24. The composition of the commission varies from 9 to 12 men. According to current information, there are presently 9 families represented, 5 from New York City and 1 each from Philadelphia, Buffalo, Detroit, and Chicago.<sup>83</sup>

The commission is not a representative legislative assembly or an elected judicial body. Members of this council do not regard each other as equals. Those with long tenure on the commission and those who head large families, or possess unusual wealth, exercise greater authority and receive utmost respect. The balance of power on this nationwide council rests with the leaders of New York's 5 families. They have always served on the commission and consider New York as at least the unofficial headquarters of the entire organization.

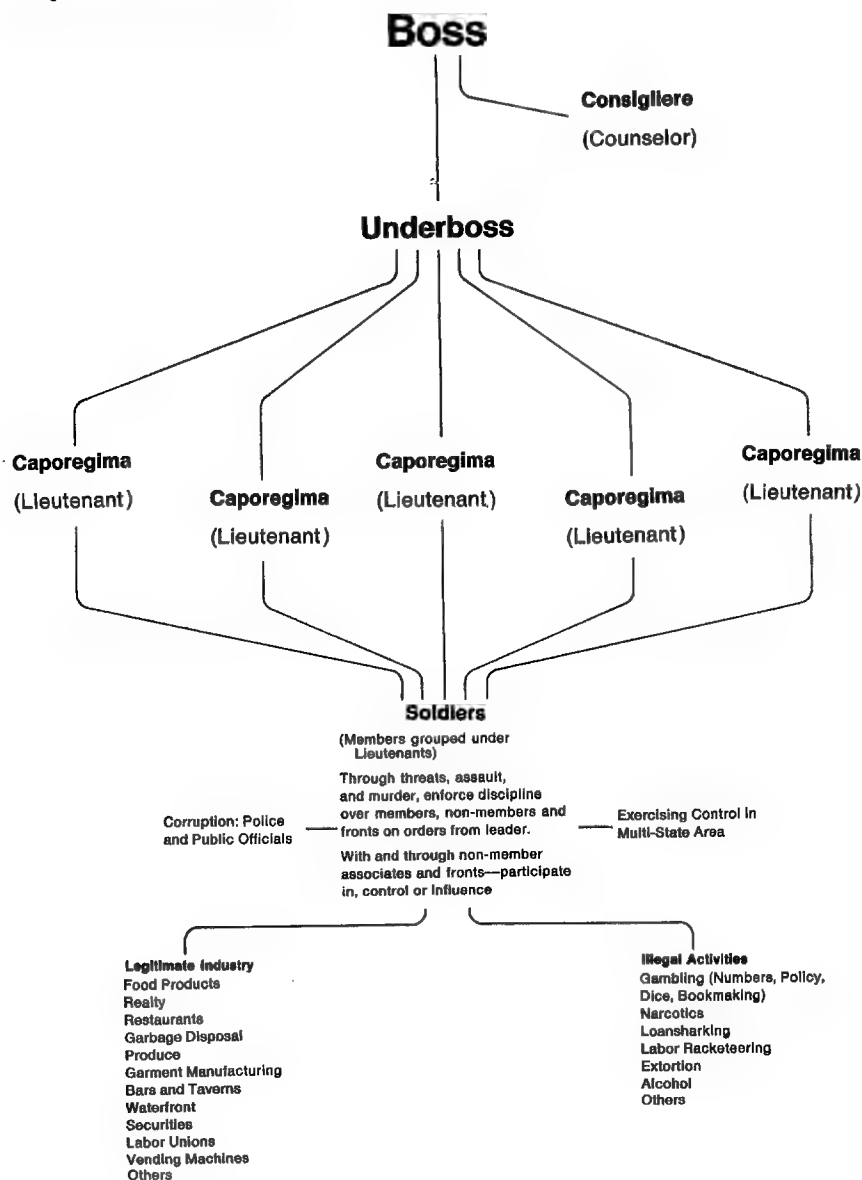
In recent years organized crime has become increasingly diversified and sophisticated. One consequence appears to be significant organizational restructuring. As in any organization, authority in organized crime may derive either from rank based on incumbency in a high position or from expertise based on possession of technical knowledge and skill. Traditionally, organized crime groups, like totalitarian governments, have maintained discipline through the unthinking acceptance of orders by underlings who have respected the rank of their superiors. However, since 1931, organized crime has gained power and respectability by moving out of bootlegging and prostitution and into gambling, usury, and control of legitimate business. Its need for expertise, based on technical knowledge and skill, has increased. Currently both the structure and operation of illicit enterprises reveal some indecision brought about by attempting to follow both patterns at the same time. Organized crime's "experts" are not fungible, or interchangeable, like the "soldiers" and street workers, and since experts are included within an organization, discipline and structure inevitably assume new forms. It may be awareness of these facts that is leading many family members to send their sons to universities to learn business administration skills.

As the bosses realize that they cannot handle the complicated problems of business and finance alone, their authority will be delegated. Decisionmaking will be decentralized, and individual freedom of action will tend to increase. New problems of discipline and authority may occur if greater emphasis on expertise within the ranks denies unskilled members of the families an opportunity to rise to positions of leadership. The unthinking acceptance of rank authority may be difficult to maintain when experts are placed above long-term, loyal soldiers. Primarily because of fear of infiltration by law enforce-

<sup>80</sup> Information submitted to Commission by a Federal agency.  
<sup>81</sup> Federal agency intelligence indicates that the *consigliere* frequently acts as the "corrupter." In this connection, the Kefauver Committee unrecorded the minister influence Frank Costello exercised upon the New York County Democratic organization. Kefauver Comm., 3d Interim Rep., S. REP. NO. 507, 83d Cong., 1st Sess. 143-44 (1953).

<sup>82</sup> "[I]n effect organized crime constitutes a kind of private government whose power rivals and often supplants that of elected public government." Moynihan, *supra* note 73, at 15.  
<sup>83</sup> Information submitted to Commission by a Federal agency.

**An Organized Crime Family**





ment, many of the families have no admitted new members for several years. That fact plus the increasing employment of personnel with specialized and expert functions may blur the lines between membership and nonmembership. In organized crime, internal rebellion would not take the form of strikes and picketing. It would bring a new wave of internal violence.

#### CODE OF CONDUCT<sup>94</sup>

The leaders of the various organized crime families acquire their positions of power and maintain them with the assistance of a code of conduct that, like the hierarchical structure of the families, is very similar to the Sicilian Mafia's code—and just as effective. The code stipulates that underlings should not interfere with the leader's interests and should not seek protection from the police. They should be "standup guys" who go to prison in order that the bosses may amass fortunes. The code gives the leaders exploitative authoritarian power over everyone in the organization. Loyalty, honor, respect, absolute obedience—these are inculcated in family members through ritualistic initiation and customs within the organization,<sup>95</sup> through material rewards, and through violence. Though underlings are forbidden to "inform" to the outside world, the family boss learns of deviance within the organization through an elaborate system of internal informants. Despite prescribed mechanisms for peaceful settlement of disputes between family members, the boss himself may order the execution of any family member for any reason.

The code not only preserves leadership authority but also makes it extremely difficult for law enforcement to cultivate informants and maintain them within the organization.

#### NEED FOR GREATER KNOWLEDGE OF ORGANIZATION AND STRUCTURE

Although law enforcement has uncovered the skeletal organization of organized crime families, much greater knowledge is needed about the structure and operations of these organizations. For example very little is known about the many functions performed by the men occupying the formally established positions in the organizations. In private business identifying a person as a "vice president" is meaningless unless one knows his duties. In addition to his formal obligations, the corporate officer may have important informal roles such as expecter or troubleshooter.

More successful law enforcement measures against the organized crime families will be possible only when the entire range of informal and formal roles for each position is ascertained. Answers to crucial questions must be found: While it is known that "money-movers" are employed to insure maximum use of family capital,<sup>96</sup> how

does money move from lower-echelon workers to top leaders? How is that money spread among illicit activities and into legitimate business? What are the specific methods by which public officials are corrupted? What roles do corrupted officials play? What informal roles have been devised for successful continuation of each of the illicit enterprises, such as gambling and usury? Only through the answers to questions such as these will society be able to understand precisely how organized crime maintains a coherent, efficient organization with a permanency of form that survives changes in working and leadership personnel.

#### THE NATION'S EFFORTS TO CONTROL ORGANIZED CRIME

Investigation and prosecution of organized criminal groups in the 20th century has seldom proceeded on a continuous, institutionalized basis. Public interest and demands for action have reached high levels sporadically; but, until recently, spurts of concentrated law enforcement activity have been followed by decreasing interest and application of resources.

#### HISTORICAL BACKGROUND

The foothold that organized crime has gained in our society can be partly explained by the belated recognition on the part of the people and their governments of the need for specialized efforts in law enforcement to counter the enterprises and tactics of organized crime. A few law enforcement officials became concerned with the illicit enterprises of Mafia-type groups in the United States near the close of the 19th century. Sustained efforts at investigation were abruptly terminated by the murders of two police officers, one from New Orleans and one from New York City.<sup>97</sup> The multimillion-dollar bootlegging business in the Prohibition era of the 1920's produced intensive investigations by the Treasury Department and the conviction of Chicago racket leader Al Capone.

In the 1930's, the special racket group of Thomas E. Dewey in New York City secured the conviction of several prominent racketeers, including the late Lucky Luciano, the syndicate leader whose organizational genius made him the father of today's confederation of organized crime families.<sup>98</sup> In the early 1940's, FBI investigation of a million-dollar extortion plot in the moving picture industry resulted in the conviction of several racket leaders, including the Chicago family boss who was then a member of organized crime's national council.<sup>99</sup>

After World War II there was little national interest in the problem until 1950, when the U.S. Attorney General convened a national conference on organized crime. This conference made several recommendations concerning investigative and prosecutive needs.<sup>100</sup> Several weeks

<sup>94</sup> See Cressy, *supra* note 89, at 48-50.

<sup>95</sup> For a description of the initiation ritual, see McClellan, *Narcotics Hearings*, 88th Cong., 1st Sess., pt. 1, at 180-85 (1963).

<sup>96</sup> A description of the roles of Nicholas "Jiggs" Fariano and Charles "Ruby" Stein in the movement of money for organized crime groups in New York City appears in a report of the Temporary Commission of Investigation of New York, *THE LASH STRIKE RACKET* 17-20 (1965). The study that an expert "money-mover" can achieve was noted by the Commission: "Fariano originally came out of capital here not confined to his old syndicate. His reputation for moving money will entice Fariano with unlimited funds, confident that a return or his investment will be assured." *Id.* at 19.

<sup>97</sup> See Cook, *THE SECRET VULNER* 61-67 (1966).

<sup>98</sup> Dewey's intensive antiracketeering campaign also led to the conviction in 1951 of the notorious Louis "Lepke" Buchalter and Emmanuel "Mead" Weiss

for murder. For a description of the activities of Buchalter and Weiss, see the excerpt from TULLY, *TREASURY AGENT* (1958), in *ORGANIZED CRIME IN AMERICA* 205 (Tyler ed. 1963).

<sup>99</sup> See Peteeen, *supra* note 65, at 80-82.

<sup>100</sup> In a foreword to the report of the proceedings, Attorney General McGrath described the background of the Conference: "In the winter of 1950 50 representatives of the United States Conference of Mayors, American Municipal Association, National Institute of Municipal Law Officers, National Association of Attorneys General, and others came or wrote to me expressing their alarm over the mounting problems of criminal law enforcement facing their communities, particularly the difficulties that are presented to the local communities in meeting the evils arising from organized gambling operations." U.S. DEPT. OF JUSTICE, *THE ATTORNEY GENERAL'S CONFERENCE ON ORGANIZED CRIME* v (1950). A key proposal by the American Municipal Association for the "development of a coordinated master plan of action on the whole system of Nation-wide racket by Federal, State, and local governments, and citizens' groups" has never been implemented. *Id.* at 32.

later the well-publicized hearings of the Senate Special Committee under Senator Kefauver began. The Kefauver committee heard over 800 witnesses from nearly every State and temporarily aroused the concern of many communities. There was a brief series of local investigations in cities where the Senate committee had exposed organized crime operations and public corruption, but law enforcement generally failed to develop the investigative and prosecutive units necessary to root out the activities of the criminal cartels.

In 1957 the discovery of the meeting in Apalachin, N.Y., of at least 75 criminal cartel leaders from every section of the Nation aroused national interest again. This interest was further stimulated by disclosures in the hearings of Senator McClellan's Select Senate Committee investigating organized crime's infiltration of labor and business.<sup>101</sup> A concerted Federal enforcement response developed in the 1950's, and special, institutionalized efforts on the local level have been growing slowly since that time.

#### FEDERAL LAW ENFORCEMENT

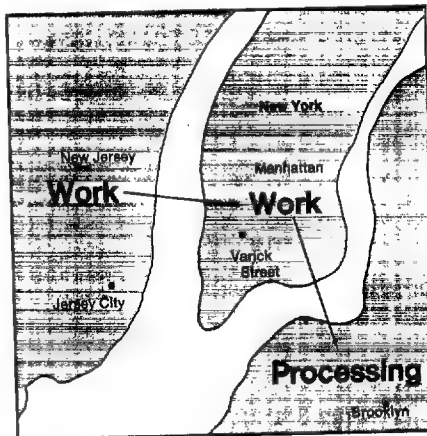
Following the Kefauver hearings, the Department of Justice commenced a concerted drive against the leading racket figures identified in the hearings. Federal prosecutors throughout the Nation were encouraged to initiate investigations and prosecutions of such persons. As a result, a number of high level organized crime participants were convicted of Federal law violations. Under authority of the immigration statutes, the Department was successful in effecting the deportation of other racketeers. In 1954, the Justice Department formed an Organized Crime and Racketeering (OCR) Section to encourage the continuation of these prosecutive efforts. Efforts to institutionalize an antiracketeering intelligence program were hindered by a lack of coordination and interest by some Federal investigative agencies.

In 1958, after Apalachin, an Attorney General's Special Group on Organized Crime was created in the Department of Justice with regional offices from which intelligence information was gathered and grand jury proceedings conducted, concerning the Apalachin conferees.<sup>102</sup> After trial and reversal of the convictions of 20 of these conferees for conspiring to obstruct justice, the group's functions were assumed by the existing OCR Section.

In September 1960, the Federal Bureau of Investigation began to supply the OCR Section with regular intelligence reports on 400 of the Nation's organized crime figures. But with only 17 attorneys and minimal intelligence information from other Federal agencies, the section could not adequately fulfill its functions, which included coordinating all Federal law enforcement activities against organized crime, accumulating and correlating all necessary data, initiating and supervising investigations, formulating general prosecutive policies, and assisting the Federal prosecuting attorneys throughout the country.

In 1961, the OCR Section expanded its organized crime program to unprecedented proportions. In the next 3

*This is a diagram of an interstate gambling operation that the FBI disrupted. Gamblers based in Brooklyn controlled lottery operations not only in Brooklyn, but in Manhattan and Newark, N.J. The Newark "work" (cash and gambling records) went first to a secret location on Varick St. in Manhattan and then, together with the Manhattan "work," to the Brooklyn base where it was processed.*



years, regular intelligence reports were secured from 26 separate Federal agencies, the number of attorneys was nearly quadrupled, and convictions increased.<sup>103</sup> Indicative of the cooperation during this enforcement effort was the pooling of information from several Federal agencies for investigative leads in income tax cases. Over 60 percent of the convictions secured between 1961 and July 1965 resulted from tax investigations conducted by the Internal Revenue Service.<sup>104</sup> Several high-level members of organized crime families in New York City were convicted through the efforts of the Federal Bureau of Narcotics.<sup>105</sup>

The FBI was responsible for convictions of organized crime figures in New York City, Chicago, and elsewhere. Enactment of statutes giving the FBI jurisdiction in interstate gambling cases<sup>106</sup> resulted in disruption, by investigation and prosecution, of major interstate gambling operations, including lay-off betting, which is essential to the success of local gambling businesses.

In 1965, a number of factors slowed the momentum of the organized crime drive. A Senate committee uncovered a few isolated instances of wiretapping and electronic surveillance by Treasury Department agents,<sup>107</sup> and some officials began to question whether special emphasis upon

<sup>101</sup> McClellan, Labor-Mgt. Rep., 1st Interim Rep., S. REP. NO. 1417, 85th Cong., 2d Sess. (1958); 2d Interim Rep. (pts. 1 & 2), S. REP. NO. 621, 86th Cong., 1st Sess. (1959); Final Rep. (pts. 1-4), S. REP. NO. 1159, 86th Cong., 2d Sess. (1960).

<sup>102</sup> The Special Group on Organized Crime in the United States was created on April 10, 1958. A detailed report analyzing Federal investigative and prosecution requirements to contain organized crime successfully was submitted to the Attorney General on Feb. 10, 1959. See *Hearings Before Subcomm. No. 5 of the House Comm. on the Judiciary, 87th Cong., 1st Sess.*, ser. 16, at 102-10 (1961).

<sup>103</sup> In 1960, before this drive began, we secured the conviction of 45 persons for racketeering crimes. In 1961, after the drive was first under way, we secured 73 convictions. In 1962, the number doubled to 158. In 1963, it doubled again to 288. And last year, it doubled once more, to 546." Testimony of Atty Gen.

Nicholas Katzenbach, *Long Comm. Hearings*, 89th Cong., 1st Sess., pt. 3, at 1158 (1965).

<sup>104</sup> *Id.* at 1159.  
<sup>105</sup> These included John "Big John" Ormento, identified as a lieutenant in the Luchese family, and Carmine Calento, underboss of the Bonanno family of New York City. McClellan, *Narcotics Hearings*, 88th Cong., 1st & 2d Sess., pt. 3, at 622 (charts F & E) (1963 64).

<sup>106</sup> Interstate and foreign travel or transportation in aid of racketeering enterprises, 75 Stat. 498, 18 U.S.C. § 1962; interstate transportation of wagering paraphernalia, 75 Stat. 492, 18 U.S.C. § 1963; transmission of wagering information, 75 Stat. 491, 18 U.S.C. § 1964 (1964).

<sup>107</sup> See generally *Long Comm. Hearings*, 89th Cong., 1st Sess., pts. 1-8, 1st & 2d Sess., pt. 4, 2d Sess., pt. 5-6 (1965).

organized crime in tax enforcement was appropriate or fair. The Department of Justice was accused of extensively using illegal electronic surveillance in investigations of racketeer influence in Las Vegas casinos.<sup>108</sup> Federal prosecutors in some large cities demanded independence from OCR Section attorneys and prosecutive policies. Attacks appeared in the press or the intensity and tactics of the Federal investigative and prosecutive efforts. A high rate of turnover among OCR Section attorneys meant discontinuity of effort and reduced personnel by nearly 25 percent.

This combination of adverse circumstances apparently led the OCR Section to believe that it could no longer expect the high degree of cooperation it had received from some Federal investigative agencies, and the intensity of its efforts diminished. In May 1966, however, President Johnson directed Federal enforcement officials to review the status of the national program against organized crime. He restated his determination to continue and accelerate the program. In a White House memorandum he called upon the appropriate agencies and departments to coordinate their activities and cooperate to the utmost with the Department of Justice.<sup>109</sup>

#### STATE AND LOCAL LAW ENFORCEMENT

The Commission made a survey of 71 cities to determine the extent of State and local law enforcement

against organized crime. The survey revealed that only 12 of the 19 cities that acknowledged having organized crime have specialized units within the police department to investigate that activity. In only 6 of those 19 cities are prosecutors specially assigned to work on organized crime. Only 3 of the 43 police departments that answered that they had no organized crime in their area had created units to gather intelligence concerning the possibility of its existence. One of the three, Los Angeles, has a 55-man unit that gathers intelligence information to prevent the expansion of organized crime.<sup>110</sup>

At present, well-developed organized crime investigation units and effective intelligence programs exist within police and prosecutive agencies in only a handful of jurisdictions.<sup>111</sup> There is, however, some evidence that local police and prosecutors are becoming more aware of the threat of organized crime. For example, in Philadelphia, both the police department and the prosecutor have created units to work exclusively in this area. In the Bronx County prosecutor's office responsibility for antiracketeering work has been centralized. The New England State Police Compact is a first step toward regional confrontations of organized crime.<sup>112</sup> In addition to provisions for mutual assistance in a number of areas and for coordination of command training, the compact provides for a centralization of organized crime data to which all members contribute and from which all draw. This system should reduce current duplication and permit a better coordinated attack upon organized crime.

<sup>108</sup> *Grandi v. Central Telephone Co.*, No. A2157, 8th Jud. Dist. Ct., Dec. 10, 1965; *Levinson v. Elser*, No. A2186, 8th Jud. Dist. Ct., Dec. 10, 1965; *Levinson v. Rogers*, No. A2185, 8th Jud. Dist. Ct., Dec. 10, 1965.

<sup>109</sup> Memorandum from Pres. Lyndon B. Johnson to Heads of Departments and Agencies Participating in the Federal Organized Crime Drive, May 5, 1966.

<sup>110</sup> Like counterpart units in the Chicago and New York City Police Departments, the history of the Los Angeles Police Department's Intelligence Division can be traced back some years. Its current program, however, is of relatively recent date. Under the leadership of the late Chief William H. Parker, the division was created in 1950. It has responsibility for gathering information about all phases of organized crime in the Los Angeles area. The primary purpose of the division is intelligence; it has no criminal investigation responsibility. Few arrests are made, and the information it obtains is transmitted to field units for action. It has jurisdiction over some activities in addition to organized crime. For example, it maintains a close liaison with the Secret Service concerning persons who might be dangerous to the security of the President of the United States. Since it has no criminal investigation responsibility, no close, day-to-day liaison is maintained with the local district attorney's office. The prosecutor's office does not receive regular intelligence reports and does not participate in selection of targets for investigation. However, liaison is maintained with local, State, regional, national, and Federal agencies concerning organized crime. The Los Angeles Police Department has 51.7 officers (including 10 civilian employees). The Intelligence Division has 53 full-time men assigned to it. These include one captain and four lieutenants. The division reports directly to the Chief of Police. Similar in part to Chicago, street-level vice activity is handled by command; area-wide activity, by the Administrative Vice Division; and pure intelligence work, by the Intelligence Division. The turnover of personnel is small, less than 10 percent a year. The average length of service for field investigators is about 15 years; for supervisors, about 22 years. Promotion and retirement are the primary factors leading to turn into and out of the division. The division makes extensive use of physical surveillance, not only as a means of obtaining information, but also to prevent hoodlum contacts from being made. The division also maintains a seven-man detail at the International Airport which covers the movements of hoodlums on a 24-hour basis. Extensive use is made of public sources of information. Use of electronic equipment, however, has been severely limited by State law and is seldom employed. This is in sharp contrast with the practices of a few years ago, when the use of such equipment was considered legal and was widely and, in the division's opinion, effectively employed.

The Los Angeles Police Department was one of the first local police agencies to become aware in detail of the cruel nature of the organization of modern organized crime. This was a major working premise in Los Angeles when it contained a serious and expanding organized crime problem was due in part to its use of electronic equipment. Today its personnel believe that the division's present intelligence estimates, for example, reflect the lack of this source of information. In addition, the effectiveness of the department as a whole is believed to be undercut by the widespread use of the telephone by organized crime groups in both the gambling and narcotics fields. Little reliance is placed on the use of paid informants by the division although funds are available for the purchase of information.

Competence and dedication of the department has thus accounted, in part, for the present law enforcement control of organized crime in Los Angeles. The absence of serious political corruption problems has also played a major role. This is accounted for, in part, by the traditions of the State dating back to former Governor Earl Warren and the wide use of civil service.

The files of the Intelligence Division are indexed as to persons, classes of crime, areas of crime, and businesses. An excellent cross-index exists to speed information retrieval. The division regularly collects information from national

newspapers and congressional and other investigative hearings. Blakey, *Local Law Enforcement Response to Organized Crime*, Jan. 1967 (unpublished report to this Commission).

<sup>111</sup> Illustrative of such organizations is that of the office of the district attorney for New York County, which has as its function the prosecution of all criminal matters occurring in that jurisdiction. The volume is staggering. In cases of 30,000 matters come up for consideration each year. The combined total is roughly equal to the other four counties which make up the greater New York area. These duties include listening to complaints brought directly to the office by citizens, examining matters brought to it by the police, preparing information, presenting matters to the grand jury, handling preliminary matters in court, prosecuting trials, and defending and taking appeals. In addition, the office conducts or supervises certain direct and collateral investigations of its own.

The office regularly employs approximately 200 people. There are about 100 lawyers, 10 accountants, and 10 investigators. The rest are clerks, stenographers, process servers, and specialized employees, including a psychiatrist and a photographer. In addition, there are 70 to 75 New York City detectives regularly assigned to the office. The district attorney is elected, although since 1945 there have been no election contests. Staff personnel are covered by civil service. Legal personnel are selected without regard for politics, solely on the basis of merit. Salaries are lower than those offered for positions in private practice. Consequently, there is a relatively large turnover; most stay only four-five years, although some have remained in career positions out of dedication. All members of the staff work full time. Outside or personal work is not permitted. Since 1938, the office has been singularly free of corruption or political influence.

The office itself is organized into 13 bureaus. The names of most indicate their functions. The major bureaus include a Complaint Bureau, an Indictment Bureau, a Supreme Court Bureau (handles felony trials), a Criminal Courts Bureau (handles misdemeanor trials), a Nonfelony Bureau, and an Appeals Bureau. In addition, the office has a Fraud Bureau, an Accounting Bureau, an Investigations Bureau, and in response to the challenge of organized crime—a Rackets Bureau.

Traditionally the function of the prosecutor has been to present to the court evidence of criminal activity developed by the police or brought to him by a citizen. The concept of the Rackets Bureau as developed in New York County, however, has been a radical departure from that traditional view. From 1938 through 1957 Thomas E. Dewey conducted a special racket investigation in New York County. During the director of Government Herbert H. Lehman. When Dewey became district attorney in 1958, he carried into the office the experience of that special investigation. The Rackets Bureau, the Fraud Bureau, the Accounting Bureau, and the Investigations Bureau were not set up based on that experience and were, at that time, unparalleled in the country.

Dewey found that evidence of organized criminal activity and corruption was not to be had merely for the asking. Victims of underworld terror or exploitation did not volunteer to testify. Documentary proof of extortion or graft was carefully concealed in doctored books and records. Dewey thus found that the traditional role of the district attorney—merely that of courtroom accuser—was inadequate if the challenge of organized crime and corruption was to be met.

The Rackets Bureau and the Fraud Bureau operate in a similar fashion. The Fraud Bureau deals with modern commercial frauds. The Rackets Bureau deals with modern organized crime and corruption. Both employ the expert assistance of trained criminal accountants and investigators of the Accounting and Investigations Bureaus.

The Rackets Bureau is headed by one top man and a chief assistant. Approximately 10 to 12 other assistant district attorneys are assigned to the bureau. The bureau shares 10 accountants with the Fraud Bureau, and each draws on the services of the office's own investigators and the New York City detectives assigned to each case. The assistants in the bureau take charge of their cases at every stage: investigative, preparation, grand jury presentation, and trial. An integrated approach to each case is thus obtained. The bureau maintains its own files on major organized criminals, cultivates confidential sources of information—although

In 1956 the Law Enforcement Intelligence Unit was established in California.<sup>113</sup> This was the first step toward the development of a network for the exchange of data concerning people active in organized crime. The LEIU has since expanded to more than 150 members throughout the Nation. It maintains a central file in California, and information is available to its members on request.

The effectiveness of these State and local efforts is difficult to assess. But only New York and California

have developed continuing State programs that have produced a series of convictions against major figures in organized crime. Coordinated police activity has substantially aided this process. On the local level, Chicago and New York City, where the organized crime problem is the most severe, appear to be the only cities in which large, firmly established police intelligence units continue to develop major cases against members of the criminal cartels.<sup>114</sup>

It has no paid informant program and keeps tabs on the movements of known criminals; it also maintains liaison with other law enforcement agencies in the New York area concerned with organized crime.

The Racketeers Bureau has developed a special technique of investigation in organized crime and corruption cases, which combines the skillful use of physical surveillance, examination of records, and interrogation of witnesses under oath before the grand jury. Under a grant of immunity witnesses are freed with perjury if they lie or with a citation for contempt if they refuse to cooperate. The unanimous opinion of the staff is that the use, under strict controls and court orders, of electronic surveillance, both wiretaps and bugs, has been virtually indispensable to the success of this means of investigation. Wiretaps were the mainstay of its activity prior to 1957, when Federal court rulings intervened. Now they are used solely for intelligence purposes, and reliance has been placed on court ordered bugs. The experience of the bureau with the dependence of racket figures on the phone as a means of communication and with the necessity to hold meetings confirms that of the CIB, see note 114 *infra*. The experience of the bureau, moreover, has shown that certain kinds of key witnesses—witnesses which often the bureau has had to protect before, during, and after trials, almost always found in organized crime or corruption cases—cases which often take years to build—can only be induced to cooperate by playing for them the sound of their own voices, which they cannot deny, and then facing them with the choice of cooperation or jail for contempt or perjury. The opinion of the bureau is that the use of electronic equipment is the key to success in any serious organized crime drive. It has not found, however, that the need to use the equipment required that it be employed extensively. The bureau has used an average of only about 39 bugs and 65 wiretaps per year since 1957. Yet its record of achievement in the area of major organized crime and corruption cases is unmatched anywhere in the United States on the local or State level. The failure of the office to do more has been primarily attributable to the inherent difficulties in this kind of investigation and a lack of manpower resources at its command to deal with the problem. (Blaque, Local Law Enforcement Response to Organized Crime, Jan. 1967 (unpublished report to the Commission)).

<sup>113</sup> The office of the Commissioner of the Connecticut State Police advised the Commission that the compact evolved from discussions between the six New England State Police Commissioners, who meet regularly to consider law enforcement matters of mutual interest. The compact was drafted by the Council of State Governments with the aid of the New England Council and has been enacted in Rhode Island (R.I. Gen. Law Ann. § 42-37-1 to -3 (Supp. 1965)) and Maine (Me. Rev. Stat. Ann. tit. 25, § 1667 (Supp. 1966)); and will be effective upon enactment by one more New England State. Enabling legislation is now pending before the legislatures of each of the four remaining States.

<sup>114</sup> The Law Enforcement Intelligence Unit was conceived by Frank Ahern, then Chief of the San Francisco Police Department, and Capt. James Hamilton of the Los Angeles Police Department's Intelligence Division. The organization was formed on March 29, 1956, by law enforcement officials representing 26 police and sheriff departments in seven western States. It developed in response to the need felt by law enforcement officials for a means by which confidential information on certain persons and organizations could be exchanged; it provides a central clearinghouse for such information, outside the channels of routine, interdepartmental communication. As of Nov. 1, 1965, the LEIU had a membership of 152 different agencies including State police, sheriff departments, metropolitan police, prosecutors' offices, and such others as the investigative unit of the Waterfront Commission of New York Harbor.

A requisite for membership in LEIU is that member departments maintain a permanent intelligence unit. Membership is not restricted to departments from areas of known organized crime activity. Although organized crime is not the exclusive interest of all participants, the subject is given substantial attention. Information is exchanged about persons and organizations engaged in various forms of criminal conduct.

The LEIU exists only as a unifying concept; it has no independent investigative authority or personnel. It operates through an executive board composed of three persons selected from among the members at large plus the four chairmen of member agencies in the four zones of the country, northwestern, southwestern, central, and eastern. The heart of the information clearing system which the organization has developed is a set of constantly increasing file cards which contain subjects' names, addresses, class of criminal activity, associates, and most important, the name of the unit contributing the derogative information. This permits an interested agency to make direct inquiry to the department in possession of details on a subject of interest.

The processing and dissemination of these file cards to member agencies is handled by the Bureau of Identification and Investigation of the State of California. For an interesting discussion of the function of the LEIU and organized crime, see Paul Levy's article, *The Quiet War on Big Crime*, in the Sunday Bulletin (Pitts.), Nov. 28, 1965, p. 1.

<sup>115</sup> The history of the Central Investigation Bureau (CIB) in the New York Police Department may be traced back to the turn of the century when an Italian Squad was set up to investigate extortion activities victimizing recently arrived Italian immigrants. In the late 1940's a similar small squad was created in the department in an attempt to put together information on major racketeers of any ethnic background. The current program, however, is best dated from 1956, when under the leadership of former Police Commissioner Stephen P. Kennedy the CIB was organized in its present form.

The CIB has as its objectives maintaining a continuing program to understand the structure and operation of organized crime in New York City; providing support for field units in the department and for district attorneys in the prosecution of organized crime cases; and educating and advising law enforcement units, other governmental agencies, and citizens concerning the threat posed by organized crime. The work of the bureau is concentrated mainly on organized crime as exemplified by large well-organized operations. In practice this means that most of their efforts are directed against the six organized crime families which operate in the New York metropolitan area.

The bureau seeks to discover the key personnel in each family, their relationships to each other, the criminal and legitimate enterprises they operate, and the chains

of control by which they operate. In this way it attempts to define trends, discover emerging leaders, put together a guide for strategy, select targets, and generate new investigations. Since the crime situation it faces is never static, the bureau tries to chart the changes which occur in the families and to map the growth and development of each major area of criminal and legitimate activity of the families. The ultimate objective of this program is to find situations which have prosecutive potential. If useful leads or evidence is obtained which suggests such a possibility, reports are prepared for follow-up action by appropriate field units in the department. The work of the bureau is consciously kept non-operational to avoid unnecessary conflicts with the activities of other units in the department and to permit the bureau to maintain perspective. The bureau does, however, loan its men to other field units to conduct surveillance, to operate electronic surveillance equipment, and to install electronic equipment pursuant to court order. The CIB provides training on the nature of organized crime for new men in the department. It has also worked closely with State and Federal investigating commissions. Finally, the bureau maintains a close liaison with each of the five County District Attorneys in New York City. In these offices one or more assistant district attorneys are assigned to organized crime work. They often confer with members of the bureau during investigations, although the prosecutors do not receive regular intelligence reports or participate in the selection of targets. Liaison is also maintained with various local, State, regional, national, and Federal law enforcement agencies concerned with organized crime.

The New York City Police Department has 27,000 officers exclusive of civilian employees. The Bureau has 96 full-time men assigned to it. These include one deputy inspector, one captain, three lieutenants, and seven sergeants. The bureau reports directly to the Chief of Detectives. The average length of service for field investigators is 5 years; supervisors, 4.7. The primary factor which leads to transfer into and out of the unit is promotion to higher rank and the replacement of such personnel.

In its investigations the bureau makes extensive use of physical surveillance. Hotels, night clubs, airports, race tracks, and similar places are watched to detect events of significance in organized crimes. Extensive use is made of public sources of information, such as the registry of deeds. The bureau's mainstay, however, has been the use of electronic equipment, both wiretaps and bugs. The bureau has found that the large, well-organized criminal activity, especially that which operates over a large geographical area, must use the telephone as a means of communication. No matter what attempts are made to code messages, the meaning can be determined. Meetings, too, must be held. Careful investigation can determine where. The use of electronic equipment, however, is strictly limited. After supervisory approval within the bureau, a court order must be secured. The Legal Bureau of the Police Department processes all applications for such orders. All overheard are recorded, and strict controls govern access to the information secured. This is done both to protect its confidentiality and to insulate the other information the bureau has from legal contamination, since information electronically obtained generally cannot be used by the Federal law enforcement agencies with which the bureau has contacts. The bureau makes the technical installations of equipment for all units of the department other than for the Police Commissioner's Confidential Investigating Unit, which conducts investigations within the department itself.

No paid informant program is maintained by the bureau. While many of its investigators have potential sources of information, experience has shown that the quality, quantity, and reliability of information obtained from informants is not adequate for the CIB to do its job. All too often, for example, this information concerns merely low-level operations. Members of the hierarchy of organized crime rarely become informants, and those on the outskirts have little valuable information. Undercover agents are used by the bureau, but their effectiveness is severely limited, since members of organized crime groups seldom trust those not known by them to have committed a major crime.

Of major importance to the operation of the CIB is its file system. Individual working files are maintained by each agent. The general files are subdivided into individuals, types of crimes, geographical areas, and industries. A library of congressional hearings and other similar information is maintained. Indexing and cross-referencing make the files a working tool. Other special files containing, for example, license plate numbers are also maintained.

Like the CIB, the history of the Chicago Intelligence Division (CID) may be traced back to the turn of the century, when a "Black Hand" squad was set up to investigate extortion activities victimizing the Italian immigrant population. In 1927 a group called the "Scoutland Yard Unit" was established. It dealt with everything from burglary offenses to hoodlum activity. It was disbanded, however, in 1950, and its functions shifted into the commissioner's office. The current program is best dated from 1960, when under the reform leadership of Superintendent O. W. Wilson the CID was set up.

Like the CIB, the division's main objective is obtaining information concerning high-level criminal activity; its agents are primarily involved in the detection, prevention, and neutralization of crime syndicate activity. The division tends to concentrate its investigations in specific areas of activity rather than on individuals. Its major efforts are directed toward gambling, loan sharking or "juice," criminal participation in legitimate enterprises, labor racketeering, narcotics, and prostitution. Unlike the CIB, it has jurisdiction over other activities. The CID, for example, must also concern itself with the activities of subversive groups. Although the CIB and CID share the same basic objectives, their investigations through to arrest and trial. The division also has training and educational functions. Little liaison is maintained with the local district attorney's office, other than when a case is sent to the prosecutor's office. No assistant prosecutors are regularly assigned to the division, although it is possible to obtain their help in securing warrants. The CID does not provide regular intelligence reports to the prosecutor's office. Liaison is maintained with various local, State, national, and Federal law enforcement agencies concerned with organized crime.

The Chicago Police Department has 10,000 officers exclusive of civilian employees, of which 25 men are assigned on a full-time basis to the CID. These include a director, 5 lieutenants, and 20 sergeants. The division routinely reports to a deputy superintendent, although it is possible to report directly to

## PUBLIC AND PRIVATE CRIME COMMISSIONS

Among the most effective vehicles for providing public information on organized crime are the crime investigating commissions, which exist in a number of States. When established without having to rely on continuing governmental financial support and the resulting potential political pressures, the private crime commission has frequently rendered major service in exposing organized crime and corruption and arousing public interest. The Chicago Crime Commission and the Metropolitan Crime Commission of New Orleans have played major roles in informing the citizens within their jurisdictions of the menace of organized crime and have fulfilled substantial educational, investigative, and legislative functions.<sup>113</sup>

A governmentally sponsored nonpartisan crime commission, such as the New York State Temporary Commission on Investigation, has significant benefits. Established shortly after the Apalachin meeting,<sup>114</sup> it has through a series of public hearings exposed organized crime and corruption.<sup>117</sup> Recent ban-shark hearings<sup>118</sup> prompted legislative action to make prosecution of such offenders less difficult.<sup>119</sup> The Illinois Crime Commission, through public hearings and the efforts of its own investigators, continually exposes organized criminal activity. A governmental commission in California detailed the operations of criminal cartels in that State in the early 1950's and recommended action that subsequently proved effective.<sup>120</sup>

## LIMITATIONS ON CONTROL EFFORTS

Efforts to curb the growth of organized crime in America have not been successful. It is helpful in devising a program for the future to examine the problems encountered in attempting to combat organized crime.

*Difficulties in Obtaining Proof.* As described above, criminal cartels have organized their groups and operations to insulate their higher echelon personnel from law enforcement and regulatory agencies. Every measure has been taken to insure that governmental investigation, no matter how intensive, will be unable to secure live witnesses, the sine qua non of prosecution. Street workers, who are not members of organized crime families, cannot prove the identities of the upper-level personnel. If workers are arrested for gambling or other illicit activities, the fear instilled in them by the code of nondisclosure prevents their telling even the little they may know. The organization provides money and food for families of

incarcerated workers; this helps to keep the workers loyal. Lawyers provided by the cartels for arrested employees preserve the interests of the organization ahead of those of the particular defendant.

Usually, when a crime is committed, the public calls the police, but the police have to ferret out even the existence of organized crime. The many Americans who are compliant "victims" have no incentive to report the illicit operations. The millions of people who gamble illegally are willing customers who do not wish to see their supplier destroyed. Even the true victims of organized crime, such as those succumbing to extortion, are too afraid to inform law enforcement officials. Some misguided citizens think there is social stigma in the role of "informer," and this tends to prevent reporting and cooperating with police.

Law enforcement may be able to develop informants, but organized crime uses torture and murder to destroy the particular prosecution at hand and to deter others from cooperating with police agencies. Informants who do furnish intelligence to the police often wish to remain anonymous and are unwilling to testify publicly. Other informants are valuable on a long-range basis and cannot be used in public trials. Even when a prosecution witness testifies against family members, the criminal organization often tries, sometimes successfully, to bribe or threaten jury members or judges.

Documentary evidence is equally difficult to obtain. Bookmakers at the street level keep no detailed records. Main offices of gambling enterprises can be moved often enough to keep anyone from getting sufficient evidence for a search warrant for a particular location. Mechanical devices are used that prevent even the telephone company from knowing about telephone calls. And even if an enforcement agent has a search warrant, there are easy ways to destroy written material<sup>121</sup> while the agent fulfills the legal requirements of knocking on the door, announcing his identity and purpose, and waiting a reasonable time for a response before breaking into the room.

*Lack of Resources.* No State or local law enforcement agency is adequately staffed to deal successfully with the problems of breaking down criminal organizations. Just one major organized crime case may take 2 to 3 years to develop and then several more years to complete through prosecution and appeal. Cases may require several man-years of investigative resources. The percentage of investigations that result in arrests is quite low. Requests for increased budgets in government are usually granted

the superintendent. Turnover statistics for CID personnel are not meaningful, since the division has not been in existence long enough. The primary factors leading to transfers in and out of the division have been promotions and retirement.

In its investigations the CID makes extensive use of physical surveillance. As with the CIB, hotels, night clubs, airports, and similar places are routinely covered for significant events in organized crime. Extensive use is made of public sources of information. The use of electronic equipment is illegal under State law. Its personnel believe this has a merely handicapping effect on the work of the division. Reliance has been placed on a paid informant program. The money available, although limited by the budget, has been liberal in terms of overall police priorities. Not only have the quantity, quality, and reliability of the informant information gathered by the division differed substantially from that obtained electronically by the CIB, but CID personnel believe the existing informant program has seriously suffered because of the apparent ability and evident willingness of crime syndicate figures in the Chicago area to take violent action, including physical torture and brutal murder, against those who cooperate with the police. Uncover agents used by the division are subject to the same limitations found in New York.

Of major importance to the division is its file system. Prior to 1960 no generally reliable, accessible, or comprehensive files of organized crime existed in the Chicago Police Department. The existing files are organized in much the same way as those of the CIB. Blakey, Local Law Enforcement Response to Organized Crime, Jan. 1967 (unpublished report to this Commission).

<sup>119</sup> An excellent documentation of organized crime activities in Chicago may be found in the annual reports of the Chicago Crime Commission, a report on Chicago crime, prepared annually since 1953 by Virgil Peterson, Operating

Director. Illustrative of a continuing campaign by a crime commission to educate citizens about organized crime is the publication by the New Orleans Metropolitan Crime Comm'n. Survey Report Organized Crime Outlets—Jefferson Parish, Louisiana (mimeo, Oct. 1963).

<sup>120</sup> The commission of investigation was established on May 1, 1958, by N.Y. UNCRANOL. LAW § 7031.

<sup>121</sup> See, for example, N.Y. TEMPORARY COMM'N OF INVESTIGATION, AN INVESTIGATION OF LAW ENFORCEMENT IN BUFFALO (1961).

<sup>122</sup> N.Y. TEMPORARY COMM'N OF INVESTIGATION, THE LOAN SHARK RACKET (1965).

<sup>123</sup> N.Y. PENAL LAW § 2401.2403 (1965).

<sup>124</sup> See CAL. SPECIAL CRIME STUDY COMM'N ON ORGANIZED CRIME, COMBINED REPT. (1959), and CAL. SPECIAL CRIME STUDY COMM'N ON UNCRANDED CRIME, FINAL REPT. (1963). For a report on organized crime conditions in the late 1950's, see Subcommittee on Criminals of the Cal. Assembly Interim Comm. on Judiciary, Organized Crime in California, 20 ASSEMBLY INTERIM REPT. 1957-59, no. 10 (1959).

<sup>125</sup> "Flash paper" and "rice paper" are both frequently used in gambling operations if written notations are essential. Flash paper is a paper that is chemically treated to convert the cellulose contained in the paper to nitrocellulose by treatment with a mixture of concentrated sulfuric and nitric acids.

"This paper is highly flammable and will burst into flame if a cigarette is placed on it. In less time than it will take a law enforcement officer to cross the room, a bookmaker can turn his records into a pile of ashes of no use as evidence against him." Testimony of Atty. Gen. Robert Kennedy, Hearings Before Subcommittee No. 5 of the House Comm. on the Judiciary, 87th Cong., 1st Sess., ser. 16, at 30. Rice paper is water soluble paper treated chemically to cause it to dissolve very quickly when submerged in water. For a more extensive description, see MORGAN VIANCINI ENCYCLOPEDIA FOR 1948, at 201.

only upon a showing of success; i.e., a high number of arrests. An effective organized crime investigative effort may not be able to produce such statistics without years of intelligence gathering, and the drive for statistics may divert investigative energy to meaningless low-level gambling arrests that have little effect on the criminal organizations. Even with these known problems, the organized crime units of all but a few city police departments are staffed by less than 10 men, and only 6 prosecutors' offices have assigned assistants to work exclusively or particularly in organized crime cases.

Effective investigation and prosecution of organized crime require extensive experience. Assistant prosecutors rarely stay in a district attorney's office for more than a few years, if that long.<sup>122</sup> On the investigative level, with the exception of some Federal agencies, assignment to the organized crime intelligence unit may be only a step in an officer's career. The most proficient people are likely to be promoted out of the unit into supervisory positions, and their replacements must then start the difficult job of acquiring the skills for the peculiar demands of organized crime investigation. In addition, few units have any personnel with the necessary accounting and legal knowledge.

**Lack of Coordination.** Local police are hampered by their limited geographical jurisdiction, and law enforcement has not responded by developing sufficient coordination among the agencies.<sup>123</sup> One gambling operation may range through several police jurisdictions; if only one agency is involved in the investigation, it may be unable to detect key elements of the illegal enterprise. The potential for Federal-local cooperation was illustrated in the past 3 years in Chicago. With search warrant affidavits signed by FBI agents and based on FBI information, Chicago police have arrested almost 1,000 gambling defendants and seized money and wagering paraphernalia valued at approximately \$400,000. The monthly gross of gambling sites so raided exceeded \$8½ million.<sup>124</sup> Unfortunately, such instances of sustained intensity are extremely rare.

Agencies do not cooperate with each other in preparing cases, and they do not exchange information with each other. Enforcement officers do not trust each other for they are sensitive to organized crime's ability to corrupt law enforcement. Agencies have not developed strategies to overcome these problems and to insure that needed data may be effectively transferred.

**Failure to Develop Strategic Intelligence.**<sup>125</sup> Intelligence deals with all of the things that should be known before initiating a course of action. In the context of organized crime there are two basic types of intelligence information: tactical and strategic. Tactical intelligence is the information obtained for specific organized crime prosecutions. Strategic intelligence is the information regarding the capabilities, intentions, and vul-

nerabilities of organized crime groups. For example, the body of knowledge built up by the FBI concerning the structure, membership, activities, and purposes of La Cosa Nostra represents significant strategic intelligence.

At present, most law enforcement agencies gather organized crime intelligence information with prosecution as the immediate objective. This tactical focus has not been accompanied by development of the full potential for strategic intelligence. That failure accounts for the gaps in knowledge, described above, concerning the ways in which criminal cartels organize and operate as a business. Prosecution based merely upon individual violations that come to the attention of law enforcement may result in someone's incarceration, but the criminal organization simply places someone else in the vacated position.

A body of strategic intelligence information would enable agencies to predict what directions organized crime might take, which industries it might try to penetrate, and how it might infiltrate. Law enforcement and regulatory agencies could then develop plans to destroy the organizational framework and coherence of the criminal cartels. Comprehensive strategic planning, however, even with an expanded intelligence effort, will not be possible until relevant disciplines, such as economics, political science, sociology, and operations research, begin to study organized crime intensively.

**Failure to Use Available Sanctions.** Gambling is the largest source of revenue for the criminal cartels, but the members of organized crime know they can operate free of significant punishment. Street workers have little reason to be deterred from joining the ranks of criminal organizations by fear of long jail sentences or large fines. Judges are reluctant to jail bookmakers and lottery operators. Even when offenders are convicted, the sentences are often very light. Fines are paid by the organization and considered a business expense.

And in other organized crime activity, when management level figures are convicted, too frequently the sentences imposed are not commensurate with the status of the offender.

**Lack of Public and Political Commitment.** The public demands action only sporadically, as intermittent, sensational disclosures reveal intolerable violence and corruption caused by organized crime. Without sustained public pressure, political office seekers and office holders have little incentive to address themselves to combatting organized crime. A drive against organized crime usually uncovers political corruption; this means that a crusading mayor or district attorney makes many political enemies. The vicious cycle perpetuates itself. Politicians will not act unless the public so demands; but much of the urban public wants the services provided by organized crime and does not wish to disrupt the system that provides those services. And much of the public does not

<sup>122</sup> See General Report of this Commission, *THE CHALLENGE OF CRIME IN A FREE SOCIETY* 147-48 (1967), and Report of the Task Force on the Administration of Justice, ch. 4.

<sup>123</sup> In regard to the problem of lack of coordination among police agencies, see the General Report of this Commission, *THE CHALLENGE OF CRIME IN A FREE SOCIETY* 119-20 (1967); for a more detailed treatment, see Report of the Police Task Force, ch. 4.

<sup>124</sup> A program involving the Federal Bureau of Investigation and the Chicago Police Department, principally the Intelligence Division, was formally initiated in 1963. With information supplied by the FBI, police raids on gambling establishments have been carried out very successfully. Between 1963 and 1966 a poker games, policy wheels, number games, horse bookmaking, sports bookmaking, wire rooms, and casino gambling. As a result of these raids, \$382,398 in wagering paraphernalia and currency have been seized. Records confiscated

indicate that the monthly bookmaking take in Chicago is approximately \$6,300,000; policy wheel and numbers, \$1,000,000; and casino gambling, \$1,200,000. This program has apparently seriously curtailed important sources of organized crime revenue in the Chicago area. Other gambling enforcement efforts in Cook County have been less effective. Of the 11,158 gambling arrests made in 1963, for example, 76.3 percent were dismissed; only 16.3 percent resulted in convictions. Only 17 jail terms were imposed, and only 4 of those were in excess of 30 days. Blakey, *Local Law Enforcement Response to Organized Crime*, Jan. 1967 (unpublished report to this Commission).

<sup>125</sup> With regard to the concept of strategic intelligence, see generally *NEW STRATEGIC INTELLIGENCE (1949)*; FLATY, *STRATEGIC INTELLIGENCE PRODUCTION* (1957). For a discussion of organized crime intelligence, see OFFICE OF THE N.Y. COUNSEL TO THE GOVERNOR, *COMBATING ORGANIZED CRIME—A REPORT OF THE 1965 OVERSEAS DAY, NEW YORK, CONFERENCE ON COMBATING ORGANIZED CRIME* 31-34 (1966).

see or understand the effects of organized crime in society.

#### A NATIONAL STRATEGY AGAINST ORGANIZED CRIME

Law enforcement's way of fighting organized crime has been primitive compared to organized crime's way of operating. Law enforcement must use methods at least as efficient as organized crime's. The public and law enforcement must make a full-scale commitment to destroy the power of organized crime groups. The Commission's program indicates ways to implement that commitment.

#### PROOF OF CRIMINAL VIOLATION

The previous section has described the difficulties that law enforcement agencies meet in trying to prove the participation of organized crime family members in criminal acts. Although earlier studies indicated a need for new substantive criminal laws, the Commission believes that on the Federal level, and in most State jurisdictions where organized crime exists, the major problem relates to matters of proof rather than inadequacy of substantive criminal laws, as the latter—for the most part—are reasonably adequate to deal with organized crime activity. The laws of conspiracy have provided an effective substantive tool with which to confront the criminal groups. From a legal standpoint, organized crime continues to grow because of defects in the evidence-gathering process.<sup>128</sup> Under present procedures, too few witnesses have been produced to prove the link between criminal group members and the illicit activities that they sponsor.

*Grand Juries.*<sup>127</sup> A compulsory process is necessary to obtain essential testimony or material. This is most readily accomplished by an investigative grand jury or an alternate mechanism through which the attendance of witnesses and production of books and records may be ordered. Such grand juries must stay in session long enough to allow for the unusually long time required to build an organized crime case. The possibility of arbitrary termination of a grand jury by supervisory judges constitutes a danger to successful completion of an investigation.

#### *The Commission recommends:*

At least one investigative grand jury should be impaneled annually in each jurisdiction that has major organized crime activity.

If a grand jury shows the court that its business is unfinished at the end of a normal term, the court should extend that term a reasonable time in order to allow the grand jury to complete pending investigations. Judicial dismissal of grand juries with unfinished business should

be appealable by the prosecutor and provisions made for suspension of such dismissal orders during the appeal.

The automatic convening of these grand juries would force less than diligent investigators and prosecutors to explain their inaction. The grand jury should also have recourse when not satisfied with such explanations.

#### *The Commission recommends:*

The grand jury should have the statutory right of appeal to an appropriate executive official, such as an attorney general or governor, to replace local prosecutors or investigators with special counsel or special investigators appointed only in relation to matters that they or the grand jury deem appropriate for investigation.

When a grand jury terminates, it should be permitted by law to file public reports regarding organized crime conditions in the community.

*Immunity.*<sup>128</sup> A general immunity statute as proposed by the Commission<sup>129</sup> is essential in organized crime investigations and prosecutions. There is evidence to indicate that the availability of immunity can overcome the wall of silence that so often defeats the efforts of law enforcement to obtain live witnesses in organized crime cases. Since the activities of criminal groups involve such a broad scope of criminal violations, immunity provisions covering this breadth of illicit actions are necessary to secure the testimony of uncooperative or criminally involved witnesses. Once granted immunity from prosecution based upon their testimony, such witnesses must testify before the grand jury and at trial, or face jail for contempt of court.

Federal, State, and local coordination of immunity grants, and approval by the jurisdiction's chief law enforcement officer before immunity is granted, are crucial in organized crime investigations. Otherwise, without such coordination and approval, or through corruption of officials, one jurisdiction might grant immunity to someone about to be arrested or indicted in another jurisdiction.

#### *The Commission recommends:*

A general witness immunity statute should be enacted at Federal and State levels, providing immunity sufficiently broad to assure compulsion of testimony. Immunity should be granted only with the prior approval of the jurisdiction's chief prosecuting officer. Efforts to coordinate Federal, State, and local immunity grants should be made to prevent interference with existing investigations.

*Perjury.*<sup>130</sup> Many prosecutors believe that the incidence of perjury is higher in organized crime cases than in routine criminal matters. Immunity can be an effective prosecutive weapon only if the immunized witness then testifies truthfully. The present special proof require-

<sup>127</sup> For a detailed discussion, see generally Blakey, *Aspects of the Evidence Gathering Process in Organized Crime Cases: A Preliminary Analysis*, printed as appendix C of this volume.

<sup>128</sup> *Id.* at 83-85.

<sup>129</sup> *Id.* at 86-88.

<sup>128</sup> See the General Report of this Commission, *THE CHALLENGE OF CRIME IN A FREE SOCIETY* 140-51 (1967).

<sup>130</sup> See Blakey, *Aspects of the Evidence Gathering Process in Organized Crime Cases: A Preliminary Analysis* 88-91, printed as appendix C of this volume.

ments in perjury cases<sup>131</sup> inhibit prosecutors from seeking perjury indictments and lead to much lower conviction rates for perjury than for other crimes. Lessening of rigid proof requirements in perjury prosecutions would strengthen the deterrent value of perjury laws and present a greater incentive for truthful testimony.

*The Commission recommends:*

Congress and the States should abolish the rigid two-witness and direct-evidence rules in perjury prosecutions, but retain the requirement of proving an intentional false statement.

#### WIRETAPPING AND EAVESDROPPING<sup>132</sup>

In connection with the problems of securing evidence against organized crime, the Commission considered issues relating to electronic surveillance, including wiretapping and "bugging"—the secret installation of mechanical devices at specific locations to receive and transmit conversations.

*Significance to Law Enforcement.* The great majority of law enforcement officials believe that the evidence necessary to bring criminal sanctions to bear consistently on the higher echelons of organized crime will not be obtained without the aid of electronic surveillance techniques. They maintain these techniques are indispensable to develop adequate strategic intelligence concerning organized crime, to set up specific investigations, to develop witnesses, to corroborate their testimony, and to serve as substitutes for them—each a necessary step in the evidence-gathering process in organized crime investigations and prosecutions.

As previously noted, the organizational structure and operational methods employed by organized crime have created unique problems for law enforcement. High-ranking organized crime figures are protected by layers of insulation from direct participation in criminal acts, and a rigid code of discipline inhibits the development of informants against them. A soldier in a family can complete his entire crime career without ever associating directly with his boss. Thus, he is unable, even if willing, to link the boss directly to any criminal activity in which he may have engaged for their mutual benefit. Agents and employees of an organized crime family, even when granted immunity from prosecution, cannot implicate the highest level figures, since frequently they have neither spoken to nor even seen them.

Members of the underworld, who have legitimate reason to fear that their meetings might be bugged or their telephones tapped, have continued to meet and to make relatively free use of the telephone—for communication is essential to the operation of any business enterprise. In legitimate business this is accomplished with written and oral exchanges. In organized crime enterprises, however, the possibility of loss or seizure of an in-

criminating document demands a minimum of written communication. Because of the varied character of organized criminal enterprises, the large numbers of persons employed in them, and frequently the distances separating elements of the organization, the telephone remains an essential vehicle for communication. While discussions of business matters are held on a face-to-face basis whenever possible, they are never conducted in the presence of strangers. Thus, the content of these conversations, including the planning of new illegal activity, and transmission of policy decisions or operating instructions for existing enterprises, cannot be detected. The extreme scrutiny to which potential members are subjected and the necessity for them to engage in criminal activity have precluded law enforcement infiltration of organized crime groups.

District Attorney Frank S. Hogan, whose New York County office has been acknowledged for over 27 years as one of the country's most outstanding, has testified that electronic surveillance is:

*the single most valuable weapon in law enforcement's fight against organized crime . . . It has permitted us to undertake major investigations of organized crime. Without it, and I confine myself to top figures in the underworld, my own office could not have convicted Charles "Lucky" Luciano, Jimmy Hines, Louis "Lepke" Buchalter, Jacob "Gurrah" Shapiro, Joseph "Socks" Lanza, George Scalise, Frank Erickson, John "Dio" Dioguardi, and Frank Carbo . . .*<sup>133</sup>

Over the years New York has faced one of the Nation's most aggravated organized crime problems. Only in New York have law enforcement officials achieved a level of continuous success in bringing prosecutions against organized crime. For over 20 years, New York has authorized wiretapping on court order. Since 1958, bugging has been similarly authorized.<sup>134</sup> Wiretapping was the mainstay of the New York attack against organized crime until Federal court decisions intervened.<sup>135</sup> Recently chief reliance in some offices has been placed on bugging, where the information is to be used in court. Law enforcement officials believe that the successes achieved in some parts of the State are attributable primarily to a combination of dedicated and competent personnel and adequate legal tools; and that the failure to do more in New York has resulted primarily from the failure to commit additional resources of time and men. The debilitating effect of corruption, political influence, and incompetence, underscored by the New York State Commission of Investigation, must also be noted.

In New York at one time, Court supervision of law enforcement's use of electronic surveillance was sometimes perfunctory, but the picture has changed substantially under the impact of pretrial adversary hearings on motions to suppress electronically seized evidence. Fifteen years ago there was evidence of abuse by low-rank policemen. Legislative and administrative controls, how-

<sup>131</sup> See the General Report of this Commission, *THE CHALLENGE OF CRIME IN A FREE SOCIETY* 141 (1967).

<sup>132</sup> For one view on this subject, see Blakey, *Aspects of the Evidence Gathering Process in Organized Crime Cases: A Preliminary Analysis* 83, printed as appendix C of this volume.

<sup>133</sup> Testimony in support of the Attorney General's program (S. 2813), *Hearings Before the Sen. Comm. on the Judiciary*, 87th Cong., 2d Sess. 172-73 (1962).

<sup>134</sup> N.Y. CODE CRIM. PROC. § 813a, b (1968).

<sup>135</sup> In *Bonetti v. United States*, 335 U.S. 96 (1957), the Supreme Court held that evidence obtained as the result of a wiretap conducted by State officers was inadmissible in a Federal court, on the grounds that its disclosure would be a violation of § 605 of the Federal Communications Act. Many New York State prosecutors thereafter refrained from offering wiretap evidence secured under State court order because of the conflict with Federal law.



ever, have apparently been successful in curtailing its incidence.

*The Threat to Privacy.* In a democratic society privacy of communication is essential if citizens are to think and act creatively and constructively. Fear or suspicion that one's speech is being monitored by a stranger, even without the reality of such activity, can have a seriously inhibiting effect upon the willingness to voice critical and constructive ideas. When dissent from the popular view is discouraged, intellectual controversy is smothered, the process for testing new concepts and ideas is hindered and desirable change is slowed. External restraints, of which electronic surveillance is but one possibility, are thus repugnant to citizens of such a society.

Today, in addition to some law enforcement agents, numerous private persons are utilizing these techniques. They are employed to acquire evidence for domestic relations cases, to carry on industrial espionage and counter-espionage, to assist in preparing for civil litigation, and for personnel investigations, among others. Technological advances have produced remarkably sophisticated devices, of which the electronic cocktail olive is illustrative, and continuing price reductions have expanded their markets. Nor has man's ingenuity in the development of surveillance equipment been exhausted with the design and manufacture of electronic devices for wiretapping or for eavesdropping within buildings or vehicles. Parabolic microphones that pick up conversations held in the open at distances of hundreds of feet are available commercially, and some progress has been made toward utilizing the laser beam to pick up conversations within a room by focusing upon the glass of a convenient window. Progress in microminiaturizing electronic components has resulted in the production of equipment of extremely small size. Because it can detect what is said anywhere—not just on the telephone—bugging presents especially serious threats to privacy.

Detection of surveillance devices is difficult, particularly where an installation is accomplished by a skilled agent. Isolated instances where equipment is discovered in operation therefore do not adequately reflect the volume of such activity; the effectiveness of electronic surveillance depends in part upon investigators who do not discuss their activities. The current confusion over the legality of electronic surveillance compounds the assessment problem since many agents feel their conduct may be held unlawful and are unwilling to report their activities. It is presently impossible to estimate with any accuracy the volume of electronic surveillance conducted today. The Commission is impressed, however, with the opinions of knowledgeable persons that the incidence of electronic surveillance is already substantial and increasing at a rapid rate.

*Present Law and Practice.* In 1928 the Supreme Court decided that evidence obtained by wiretapping a defendant's telephone at a point outside the defendant's premises was admissible in a Federal criminal prosecution.

<sup>128</sup> The Court found no unconstitutional search and seizure under the Fourth Amendment. Enactment of Section 605 of the Federal Communications Act in 1934<sup>127</sup> precluded interception and disclosure of wire communications. The Department of Justice has interpreted this section to permit interception so long as no disclosure of the content outside the Department is made.<sup>128</sup> Thus, wiretapping may presently be conducted by a Federal agent, but the results may not be used in court. When police officers wiretap and disclose the information obtained, in accordance with State procedure, they are in violation of Federal law.

Law enforcement experience with bugging has been much more recent and more limited than the use of the traditional wiretap. The legal situation with respect to bugging is also different. The regulation of the national telephone communication network falls within recognized national powers, while legislation attempting to authorize the placing of electronic equipment even under a warrant system would break new and uncharted ground. At the present time there is no Federal legislation explicitly dealing with bugging. Since the decision of the Supreme Court in *Silverman v. United States*, 365 U.S. 505 (1961), use of bugging equipment that involves an unauthorized physical entry into a constitutionally protected private area violates the Fourth Amendment, and evidence thus obtained is inadmissible. If eavesdropping is unaccompanied by such a trespass, or if the communication is recorded with the consent of one of the parties, no such prohibition applies.

The confusion that has arisen inhibits cooperation between State and Federal law enforcement agencies because of the fear that information secured in one investigation will legally pollute another. For example, in New York City prosecutors refuse to divulge the contents of wire communications intercepted pursuant to State court orders because of the Federal proscription but do utilize evidence obtained by bugging pursuant to court order. In other sections of New York State, however, prosecutors continue to introduce both wiretapping and eavesdropping evidence at trial.

Despite the clear Federal prohibition against disclosure of wiretap information, no Federal prosecutions of State officers have been undertaken, although prosecutions of State officers under State laws have occurred.

One of the most serious consequences of the present state of the law is that private parties and some law enforcement officers are invading the privacy of many citizens without control from the courts and reasonable legislative standards. While the Federal prohibition is a partial deterrent against divulgence, it has no effect on interception, and the lack of prosecutive action against violators has substantially reduced respect for the law.

The present status of the law with respect to wiretapping and bugging is intolerable. It serves the interests neither of privacy nor of law enforcement. One way or the other, the present controversy with respect to electronic surveillance must be resolved.

<sup>128</sup> *Olmstead v. United States*, 277 U.S. 438 (1928).

<sup>127</sup> 48 Stat. 1103 (1934); 47 U.S.C. 605 (1950).

<sup>129</sup> See testimony of Atty. Gen. Nicholas Katzenbach, *Hearings Before the*

*Subcomm. on Criminal Laws and Procedures of the Sen. Comm. on the Judiciary*, 89th Cong., 2d Sess., at 31 (1966).

*The Commission recommends:*

**Congress should enact legislation dealing specifically with wiretapping and bugging.**

All members of the Commission agree on the difficulty of striking the balance between law enforcement benefits from the use of electronic surveillance and the threat to privacy its use may entail. Further, striking this balance presents important constitutional questions now pending before the Supreme Court in *Berger v. New York*,<sup>130</sup> and any congressional action should await the outcome of that case.

All members of the Commission believe that if authority to employ these techniques is granted, it must be granted only with stringent limitations. One form of detailed regulatory statute that has been suggested to the Commission is outlined in appendix C, *infra*.<sup>140</sup> All private use of electronic surveillance should be placed under rigid control, or it should be outlawed.

A majority of the members of the Commission believe that legislation should be enacted granting carefully circumscribed authority for electronic surveillance to law enforcement officers to the extent it may be consistent with the decision of the Supreme Court in *Berger v. New York*,<sup>141</sup> and, further, that the availability of such specific authority would significantly reduce the incentive for, and the incidence of, improper electronic surveillance.

The other members of the Commission have serious doubts about the desirability of such authority and believe that without the kind of searching inquiry that would result from further congressional consideration of electronic surveillance, particularly of the problems of bugging, there is insufficient basis to strike this balance against the interests of privacy.

Matters affecting the national security not involving criminal prosecution are outside the Commission's mandate, and nothing in this discussion is intended to affect the existing powers to protect that interest.

**SENTENCING**

Criminal statutes do not now authorize greater punishment when the violation was committed as part of an organized crime business. The Model Sentencing Act creates a separate category for such violations. It provides for 30 years' commitment of any felony offender who is so dangerous that the public must be protected from him and whose felony was committed as part of a continuing criminal activity in concert with one or more persons.<sup>142</sup> The Model Penal Code also contains separate provisions for heavier sentences of defendants connected with organized crime.<sup>143</sup>

*The Commission recommends:*

**Federal and State legislation should be enacted to provide for extended prison terms where the evidence, pre-sentence report, or sentence hearing shows that a felony**

**was committed as part of a continuing illegal business in which the convicted offender occupied a supervisory or other management position.**

This will make it possible to distinguish, for example, between the streetworker in a gambling operation and an office supervisor or higher management person.

There must be some kind of supervision over those trial judges who, because of corruption, political considerations, or lack of knowledge, tend to mete out light sentences in cases involving organized crime management personnel. Consideration should therefore be given to allowing the prosecution the right of appeal regarding sentences of persons in management positions in an organized crime activity or group. Constitutional requirements for such an appellate procedure must first be carefully explored.

**APPEALS FROM SUPPRESSION ORDERS**

The Commission's recommendation<sup>144</sup> that prosecutors be permitted to appeal trial court orders suppressing evidence is particularly important in organized crime cases, where so much investigative and prosecutive time has been expended, and where evidence gathering is extremely difficult. Allowing appeals would also help overcome corrupt judicial actions. In gambling cases, particularly, arbitrary rejection of evidence uncovered in a search is one method by which corrupt judges perform their services for organized crime.

**PROTECTION OF WITNESSES**

No jurisdiction has made adequate provision for protecting witnesses in organized crime cases from reprisal. In a few instances where guards are provided, resources require their withdrawal shortly after the particular trial terminates. On a case-to-case basis, governments have helped witnesses find jobs in other sections of the country or have even helped them to emigrate. The difficulty of obtaining witnesses because of the fear of reprisal could be countered somewhat if governments had established systems for protecting cooperative witnesses.

*The Commission recommends:*

**The Federal Government should establish residential facilities for the protection of witnesses desiring such assistance during the pendency of organized crime litigation.**

After trial, the witness should be permitted to remain at the facility so long as he needs to be protected. The Federal Government should establish regular procedures to help Federal and local witnesses who fear organized crime reprisal, to find jobs and places to live in other parts of the country, and to preserve their anonymity from organized crime groups.

<sup>130</sup> No. 615, U.S., April 6, 1967.

<sup>131</sup> Blakey, *Aspects of the Evidence Gathering Process in Organized Crime Cases: A Preliminary Analysis* 106-115, printed as appendix C of this volume.

<sup>132</sup> No. 615, U.S., April 6, 1967.

<sup>133</sup> NAT'L. COUNCIL ON CRIME & DELINQUENCY, MODEL SENTENCING ACT art. 3, § 5(b), (c) (1963). See also Becker, *Sentencing the Rocketeer*, 8 CRIME & DELINQUENCY 385-89 (1962).

<sup>134</sup> Article T, § 7.63 (Proposed Official Draft 1962) provides in part: "The Court may sentence a person who has been convicted of a felony to an extended term of imprisonment if . . .

"(2) The defendant is a professional criminal whose commitment for an extended term is necessary for protection of the public.

"The Court shall not make such a finding unless the defendant is over twenty-one years of age and:

"(a) the circumstances of the crime show that the defendant has knowingly devoted himself to criminal activity as a major source of livelihood; or

"(b) the defendant has substantial income or resources not explained to be derived from a source other than criminal activity."

<sup>135</sup> General Report of the Commission, *THE CHALLENGE OF CRIME IN A FREE SOCIETY*, ch. 5 (1967); Report of the Task Force on the Administration of Justice 147-48.

#### INVESTIGATION AND PROSECUTION UNITS

**State and Local Manpower.** There is, as described above, minimal concentrated law enforcement activity directed at organized crime. Only a few cities have established police intelligence and prosecutorial units specifically for developing organized crime cases. Legal tools such as electronic surveillance and immunity will be of limited use unless an adequate body of trained and expert investigators and prosecutors exists to use those tools properly.

#### *The Commission recommends:*

Every attorney general in States where organized crime exists should form in his office a unit of attorneys and investigators to gather information and assist in prosecution regarding this criminal activity.

Investigators should include those with the special skills, such as accounting and undercover operations, crucial to organized crime matters. Members of the State police could be assigned to this unit. In local areas where it appears that the jurisdiction's law enforcement agencies are not adequately combating organized crime, State police should conduct investigations, make arrests, or conduct searches upon request of any branch of the local government. This should be done without the knowledge of local officials if, because of apparent corruption, it is necessary. The State police should cooperate with and seek advice from the State attorney general's special unit. For local enforcement,

#### *The Commission recommends:*

Police departments in every major city should have a special intelligence unit solely to ferret out organized criminal activity and to collect information regarding the possible entry of criminal caucuses into the area's criminal operations.

Staffing needs will depend on local conditions, but the intelligence programs should have a priority rating that insures assignment of adequate personnel. Perhaps the enormous amount of manpower devoted to petty vice conditions should be reduced and the investigative personnel for organized crime cases increased. Criteria for evaluating the effectiveness of the units, other than mere numbers of arrests, must be developed.

The background of potential intelligence unit members should be investigated extensively and only the most talented and trustworthy assigned to those units. Salary levels should be such that membership in the unit could be a career in itself.

One of the duties of the police legal advisers<sup>140</sup> should be consultation with the intelligence unit. Special training programs should be used to teach the necessary skills involved in organized crime investigative work.

Because of the special skills and extensive time involved in organized crime cases, prosecution thereof requires concentrated efforts.

#### *The Commission recommends:*

The prosecutor's office in every major city should have sufficient manpower assigned full time to organized crime cases. Such personnel should have the power to initiate organized crime investigations and to conduct the investigative grand juries recommended above.

Special training in these legal tactics should be provided; the prosecutors should work closely with the police units.

**Development and dissemination of intelligence.** Since the activities of organized crime overlap individual police jurisdictions, the various law enforcement agencies must share information and coordinate their plans.

On the Federal level, enforcement agencies are furnishing a large amount of intelligence to the Organized Crime and Racketeering (OCR) Section in the Department of Justice. But there is no central place where a strategic intelligence system regarding organized crime groups is being developed to coordinate an integrated Federal plan for enforcement and regulatory agencies.

#### *The Commission recommends:*

The Federal Government should create a central computerized office into which each Federal agency would feed all of its organized crime intelligence.

Intelligence information in the OCR Section is now recorded manually in a card catalog. Much information, such as that discovered in grand jury proceedings, has not been incorporated because of limited resources. Many Federal agencies do not submit information on a case until it has been completed. A central office in the Department of Justice should have proper recording facilities and should analyze intelligence information fed to it by all relevant Federal agencies keeping current with events. A pool of information experts from the FBI, Secret Service, Central Intelligence Agency and other departments and private companies should help build the system, which would employ punch cards, tapes, and other modern information storage and retrieval techniques. Each agency, of course, would maintain its own files, but being able to draw upon the capability of the central computer would eliminate duplication of effort and justify the cost of the new operation. A strategic intelligence system necessary to satisfy investigative, prosecutive, and regulatory needs must have specialists in economics, sociology, business administration, operations research, and other disciplines, as well as those trained in law enforcement.

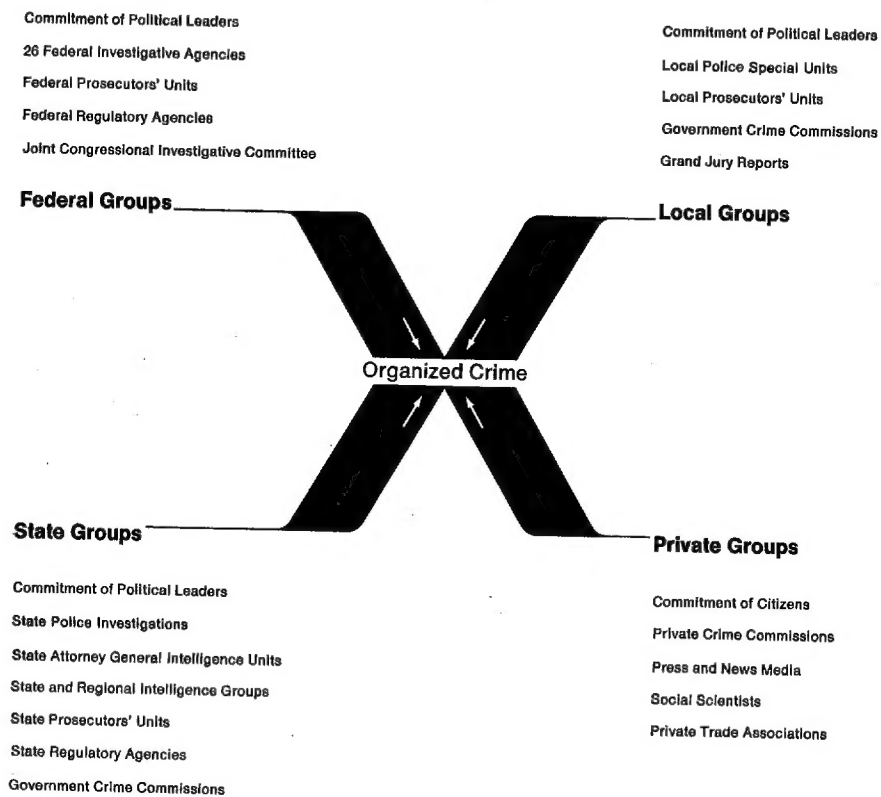
Since organized crime crosses State lines, the Commission recommends the creation of regional organizations, such as that established by the New England State Police Compact. Large States could develop statewide systems, such as exists in New York,<sup>141</sup> as well as participate in regional compacts.

These systems should permit and encourage greater exchange of information among Federal, State, and local

<sup>140</sup> See Caplan, *The Police Legal Advisor*, Report of the Police Task Force (appendix A, ch. 3).

<sup>141</sup> For a description of the New York State system, see N.Y. STATE IDENTIFICATION & INTELLIGENCE SYSTEM, A NEW CONCEPT IN CRIMINAL JUSTICE INFORMATION-SHARING (1966).

### Coordinated Effort Against Organized Crime



agencies. Currently, information sharing proceeds on a personal basis; i.e., information is given officers who, through personal contact with agents of the disseminator, have proved their trustworthiness.

Perhaps a central security system should be developed (like the military system), in which one who has been cleared to receive information and who demonstrates a need for it can obtain information, whether or not the disseminator and recipient are personally acquainted. Standards for clearance should be established, and any agency with available manpower could conduct the investigation of potential recipients of information.

Sharing information on other than a person-to-person basis of mutual trust will be a delicate evolutionary process. Preservation of the secret of each confidential informant's identity is an absolute requirement for any successful intelligence-gathering agency. Law enforcement agents are loath to make information available when its source could be guessed or inferred. However, great amounts of intelligence can be shared without revealing the possible identity of the informant, and information sharing by means of a mechanical, central security system would still be of great value.

The proposed organized crime intelligence program of the New York State Identification and Intelligence System is one way to solve the problem of keeping the source of information secret. By that system the agency that commits information to central storage would be allowed to choose what other agencies may draw upon: those particular data.

*The Commission recommends:*

The Department of Justice should give financial assistance to encourage the development of efficient systems for regional intelligence gathering, collection and dissemination. By financial assistance and provisions of security clearance, the Department should also sponsor and encourage research by the many relevant disciplines regarding the nature, development, activities, and organization of these special criminal groups.

**Federal Law Enforcement.** The Attorney General should continue to be the focal point of the Federal enforcement drive against organized crime. The Organized Crime and Racketeering (OCR) Section is the coordinating and policymaking body within the Department of Justice. The Commission believes that greater centralization of the Federal effort is desirable and possible.

Experience in some areas has shown that an effective partnership can be built between OCR Section attorneys and prosecutors in the 94 U.S. Attorneys' offices throughout the Nation. Such cooperation should be the rule for the organized crime program, which should not be the exclusive province of either the OCR Section or the U.S. Attorneys.

Different responsibilities within the Federal agencies have produced investigators with special skills and talents. The expertise of these agents should be used by organizing them into investigative teams that work exclusively

on organized crime matters under the direction of the OCR Section.

*The Commission recommends:*

The staff of the OCR Section should be greatly increased, and the section should have final authority for decision-making in its relationship with U.S. Attorneys on organized crime cases.

The Federal Government could also do much to assist and coordinate the work of State and local organized crime enforcement. There is very little such assistance at present.

*The Commission recommends:*

A technical assistance program should be launched wherein local jurisdictions can request the help of experienced Federal prosecutors from the OCR Section. The Department of Justice, through the FBI and the OCR Section, should conduct organized crime training sessions for State and local law enforcement officers.

This training could supplement the extensive general enforcement sessions now conducted by the FBI and the narcotics enforcement training offered by the Federal Bureau of Narcotics. The proposed training would concentrate on the development of special investigative and prosecutive techniques necessary in organized crime investigations.

In view of the additional responsibilities cast upon the OCR Section by these recommendations, perhaps its status should be raised to a division-level operation which would be headed by an Assistant Attorney General appointed by the President.

These recommendations for the OCR Section would not remove any of the existing responsibility of Federal investigating agencies.

**Legislative Investigations.** To give necessary impetus to a continuing drive against organized crime, the public must be constantly informed of its manifestations and influences. The changing nature of organized criminal activities also requires that legislators constantly analyze needs for new substantive and procedural provisions.

*The Commission recommends:*

A permanent joint congressional committee on organized crime should be created.<sup>147</sup>

A permanent committee would focus the interest of those members of Congress who have in the past displayed concern with the problem, and would involve a greater number of legislators than at present. It could mean that there would be a larger staff to concentrate on the problem and to permit consideration of the implications of any new legislation for organized crime. In addition, the creation of such a committee would place the prestige

<sup>147</sup> On Feb. 23, 1967, Cong. William C. Cramer (R.-Fla.) introduced a bill calling for the creation of a joint congressional committee on organized crime to implement the recommendation of this Commission. H.R. 6824, 90th Cong., 1st Sess. (1967).

of the U.S. Congress behind the proposition that organized crime is a national problem of the highest priority.

#### PUBLIC AND PRIVATE CRIME INVESTIGATING COMMISSIONS

Crime investigating commissions financed by State governments, such as in New York and Illinois, have proved to be effective for informing the public about organized crime conditions. Legislative proposals to combat organized crime also result from the hearings of these committees.

##### *The Commission recommends:*

States that have organized crime groups in operation should create and finance organized crime investigation commissions with independent, permanent status, with an adequate staff of investigators, and with subpoena power. Such commissions should hold hearings and furnish periodic reports to the legislature, Governor, and law enforcement officials.

Independent citizen crime commissions in metropolitan areas can provide enlightened resistance to the growth of organized crime and to the formation of alliances between it and politics. A citizen crime commission can give reliable and determined community leadership to assess the local government's effort to control organized crime. It can provide impartial public education, marshal public support for government agencies that have committed resources to special organized crime drives, monitor judicial and law enforcement performance, organize public responses, and enlist business cooperation against infiltration by organized crime.

##### *The Commission recommends:*

Citizens and business groups should organize permanent citizen crime commissions to combat organized crime. Financial contributions should be solicited to maintain at least a full-time executive director and a part-time staff.

At this time there are not enough citizen crime commissions functioning effectively in the Nation. A national coordinating headquarters could be established in Washington, D.C., to encourage and guide the creation of new commissions and to provide services to improve existing ones. Private foundation funds should be sought to help establish and administer the headquarters.

It would provide channels for communication among citizen crime commissions, between such commissions and national agencies of government, and between crime commissions and mutual interest associations such as the International Association of Chiefs of Police, the National District Attorneys Association, the National Council on Crime and Delinquency, and others. Such a headquarters could give concerned citizens in any community the technical assistance necessary for initiating a crime commission. In addition to making trained personnel avail-

able for short-term assignments with local commissions, a headquarters could establish formal procedures for training professionals in crime commission management. A national headquarters could also motivate States and communities to undertake reforms in their criminal justice systems and to deal with other community problems unrelated to organized crime.

#### PRIVATE AND GOVERNMENT REGULATION

Law enforcement is not the only weapon that governments have to control organized crime. Regulatory activity can have a great effect. One means to diminish organized crime's influence on politics, for example, would be legislation subjecting political contributions and expenditures to greater public visibility and providing incentives for wider citizen contributions to State and local political activity. Tax regulations could be devised to require disclosure of hidden, or beneficial, owners of partnerships and corporations that do not have public ownership.

Government at various levels has not explored the regulatory devices available to thwart the activities of criminal groups, especially in the area of infiltration of legitimate business. These techniques are especially valuable because they require a less rigid standard of proof of violation than the guilt-beyond-a-reasonable-doubt requirement of criminal law. Regulatory agencies also have powers of inspection not afforded to law enforcement. State income tax enforcement could be directed at organized crime's businesses. Food inspectors could uncover regulatory violations in organized crime's restaurant and food processing businesses. Liquor authorities could close premises of organized crime-owned bars in which illicit activities constantly occur.<sup>148</sup> Civil proceedings could stop unfair trade practices and antitrust violations by organized crime businesses. Trade associations could alert companies to organized crime's presence and tactics and stimulate action by private business.

##### *The Commission recommends:*

Groups should be created within the Federal and State departments of justice to develop strategies and enlist regulatory action against businesses infiltrated by organized crime.

Private business associations should develop strategies to prevent and uncover organized crime's illegal and unfair business tactics.

#### NEWS MEDIA

In recent years, the American press has become more concerned about organized crime. Some metropolitan newspapers report organized crime activity on a continuing basis, and a few employ investigative reporters whose exclusive concern is organized crime. The television in-

<sup>148</sup> Johnson, *Organized Crime: Challenge to the American Legal System* (pt. 2), 54 J. CRIM. L., C. & P.S. 1, 22-26 (1963).

dustry, as well, has accepted a responsibility for informing the American citizen of the magnitude of the problem.

In some parts of the country revelations in local newspapers have stimulated governmental action and political reform. Especially in smaller communities, the independence of the press may be the public's only hope of finding out about organized crime. Public officials concerned about organized crime are encouraged to act when comprehensive newspaper reporting has alerted and enlisted community support.

*The Commission recommends:*

All newspapers in major metropolitan areas where organized crime exists should designate a highly competent reporter for full-time work and writing concerning organized criminal activities, the corruption caused by it, and governmental efforts to control it. Newspapers in smaller communities dominated by organized crime should fulfill their responsibility to inform the public of the nature and consequence of these conditions.

**PARTICIPATION BY LOCAL GOVERNMENT LEADERS**

Enforcement against organized crime and accompanying public corruption proceeds with required intensity only when the political leaders in Federal, State, and local governments provide aggressive leadership.<sup>148</sup> They are the only persons who can secure the resources that law enforcement needs. They are the only ones who can assure police officials that no illegal activity or participating person is to be protected from proper enforcement action. They are the only ones who can insure that persons cooperating with organized criminal groups are not appointed to public office. They are the only ones who can provide for effective monitoring of regulatory action to expose irregular practices or favors given to businesses dominated by criminal groups. They are the ones who can provide full backing for a police chief who institutes internal inspection, promotion and other practices<sup>149</sup> for controlling police corruption.

Mayors, Governors, and the President of the United States must be given adequate information concerning organized crime conditions. Dissemination of incomplete or unevaluated intelligence about individuals would present grave civil liberties problems. However, government leaders must be made aware of the particular activities of organized crime groups.

*The Commission recommends:*

Enforcement officials should provide regular briefings to leaders at all levels of government concerning organized crime conditions within the jurisdiction.

The briefings should be supplemented by written reports further describing those conditions as well as current governmental action to combat them. Reports of con-

ditions should also be furnished periodically by the Federal Government to State and local jurisdictions, and by State governments to local jurisdictions. Reports should be withheld from jurisdictions where corruption is apparent and knowledge by a corrupt official of the information in the report could compromise enforcement efforts.

Public fears of reporting organized crime conditions to apparently corrupt police and governmental personnel must also be met directly. If an independent agency for accepting citizen grievances is established,<sup>151</sup> it should be charged with accepting citizen complaints and information about organized crime and corruption.

Information obtained in this way could be forwarded to Federal, State, or local law enforcement officials, or to all of them, at the direction of the agency. Names of sources should be kept confidential if the citizen so requests or if the agency deems it necessary.

The above program is not intended as a series of independent proposals. It represents an integrated package requiring combined action by the American people, its governments and its businesses. Organized crime succeeds only insofar as the Nation permits it to succeed. Because of the magnitude of the problem, the various branches of government cannot act with success individually. Each must help the other. Laws and procedures are of no avail without proper enforcement machinery. Prevention fails unless citizens, individually and through organizations, devise solutions and encourage their elected representatives. Regulation must accomplish what criminal law enforcement cannot. Above all, the endeavor to break the structure and power of organized crime—an endeavor that the Commission firmly believes can succeed—requires a commitment of the public far beyond that which now exists. Action must replace words; knowledge must replace fascination. Only when the American people and their governments develop the will can law enforcement and other agencies find the way.

In many ways organized crime is the most sinister kind of crime in America. The men who control it have become rich and powerful by encouraging the needy to gamble, by luring the troubled to destroy themselves with drugs, by extorting the profits of honest and hardworking businessmen, by collecting usury from those in financial plight, by maiming or murdering those who oppose them, by bribing those who are sworn to destroy them. Organized crime is not merely a few preying upon a few. In a very real sense it is dedicated to subverting not only American institutions, but the very decency and integrity that are the most cherished attributes of a free society. As the leaders of Cosa Nostra and their racketeering allies pursue their conspiracy unmolested, in open and continuous defiance of the law, they preach a sermon that all too many Americans heed: The government is for sale; lawlessness is the road to wealth; honesty is a pitfall and morality a trap for suckers.

The extraordinary thing about organized crime is that America has tolerated it for so long.

<sup>148</sup> The results of the program initiated by Gov. John Dempsey in Connecticut illustrate the improvements in law enforcement which can be achieved against organized crime. In response to growing concern over the problems of organized gambling, on Feb. 25, 1965, the Governor created a Committee on Gambling "to take a hard look at illegal organized gambling in Connecticut and to initiate steps to deal with the problems that it presents." CONN. GOV.'S COMM. ON GAMBLING REP. 4 (1965). The committee was composed of judges, State and local law enforcement officials, representative Federal officials, and State prosecutors. Pursuant to its first report and recommendations, a significant increase in the number and term of jail sentences imposed by the courts on convicted

gambling law offenders occurred. Local police department enforcement efforts improved, both independently and in collaboration with the State police. See CONN. GOV.'S COMM. ON GAMBLING REP. (1965); CONN. GOV.'S COMM. ON GAMBLING, 1st Supplemental Rep. (mimeo. 1966). A second supplemental report is being prepared by the committee at the time of this writing, which will reveal still increased enforcement results.

<sup>149</sup> General Report of this Commission, THE CHALLENGE OF CRIME IN A FREE SOCIETY 115-16 (1967); Report of the Police Task Force, ch. 7.

<sup>151</sup> General report of this Commission, THE CHALLENGE OF CRIME IN A FREE SOCIETY 102-03 (1967).